S. Hrg. 100-335

WELFARE: REFORM OR REPLACEMENT?

(Child Support Enforcement)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

JANUARY 23 AND FEBRUARY 2, 1987

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WELFARE: REFORM OR REPLACEMENT?

(Child Support Enforcement)

FRIDAY, JANUARY 23, 1987

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9:40 a.m. in room SD-215, Dirksen Senate Office Building, the Honorable Daniel Patrick Moynihan (chairman) presiding.

Present: Senators Moynihan, Bentsen, and Dole.

[The press release announcing the hearing and the prepared written statements of Senators Moynihan, Dole, and Mitchell and a description of present law Welfare programs for families follow:]

[Press Release No. H-2 for Immediate Release Jan. 14, 1987]

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY TO HOLD HEARINGS ON WELFARE REFORM

WASHINGTON, DC.—The Honorable Daniel Patrick Moynihan (D., N.Y.), Chairman of the Subcommittee on Social Security and Family Policy, announced today that the Subcommittee will hold a series of hearings on "Welfare: Reform or Replacement?" The first Subcommittee hearing will begin at 9:30 A.M. on Friday, January 23, 1987 in Room SD-215, Dirksen Senate Office Building.

Senator Moynihan stated that, on January 23, the Subcommittee will receive testimony from a number of invited public officials and representatives of organizations who have recently issued reports and proposals on how to improve the existing family welfare system and how to promote the well-being of families with children.

The Chairman of the Subcommittee stated that he anticipates that those who appear will want to address such topics as: the basic principles and goals of their proposals, how parental responsibility for the care of children can be better enforced, what role various levels of government ought to play, the effectiveness of their proposals in strengthening families and reducing dependency, and how their recommendations can be implemented in a period of fiscal restraint.

Future hearings will be scheduled at which expert witnesses will be asked to address such specific issues as: the differences between short-term and long-term dependency; how to improve child support enforcement; how to provide employment, training and supportive services to those who need them; and other issues related to the welfare of children and families.

Future hearing dates on these issues will be announced.

Senator Moynihan stated that testimony at this hearing would be received from invited witnesses only. A list of witnesses will be announced at a later date.

Written statements.—Persons who desire to present their views to the Subcommittee are invited to prepare a written statement for submission and inclusion in the printed record of the hearing. These written statements should be typewritten, not more than 25 double-spaced letter-size pages in length, and mailed with five copies to William J. Wikins, Staff Director and Chief Counsel, Committeee on Finance, room SD-205 Dirksen Senate Office Building, Washington, DC 20510, not later than Friday, February 27, 1987.

BEYOND WELFARE

Statement by
Senator Daniel Patrick Moynihan
Chairman

Finance Subcommittee on Social Security and Family Policy
Hearings: "Welfare: Reform or Replacement?"
Dirksen Senate Office Building
Friday, January 23, 1987

This is the first meeting of the new Subcommittee on Social Security and Family Policy.

I welcome the new members and especially, of course, the Republican Leader Bob Dole, who will be the ranking Republican member.

A few weeks back many of us who watch television news came upon the term "syzygy," by which astronomers describe a rare alignment of the sun, the moon and the earth which causes all manner of natural wonders.

With Bob Dole coming on our Subcommittee, with the President calling for changes in our welfare system, with the governors and the mayors and the scholars coming forth with remarkably convergent proposals, we may just have one of those rare alignments that bring about genuine social change.

This happened four years ago when, in the space of twelve days, January 4 to January 15, Senator Dole and I, Representative Conable and the White House staff worked out the historic Social Security Amendments of that year which insured the solvency of the Social Security retirement funds far into the next century.

Just possibly we will now do as much again with those provisions of the Social Security Act which concern children.

***

The Committee will continue its close attention to the Social Security retirement program. We do not, however, anticipate any major legislation in the 100th Congress. In the aftermath of the Social Security Amendments of 1983, retirement benefits would seem fully secure. I spoke yesterday with Mr. Harry Ballantyne, Chief Actuary of the Social Security Administration. He informed me that by his present calculation the Old Age and Survivors Insurance Trust Fund will increase each year between now and 2034. (This is the "realistic" (II)(B) estimate.)

Security for the aged is now a settled fact.

In this circumstance it appears to me that we should direct our attention in the next two years to the condition of children in America.

Social Security: Economic Security For Every Stage And Condition of Life

Social Security is more than a retirement plan. Sometimes we lose sight of that.

This was not so in 1935, however, when the program was proposed and enacted. In his message to Congress of January 17 of that year, President Roosevelt made clear that Social Security was intended to provide income insurance for every stage and every condition of life, starting with childhood.

At the time of enactment we were in the midst of the Great Depression and the most salient feature of the legislation was Unemployment Compensation, Title III, which went into effect immediately.

Old Age Insurance and Old Age Assistance

The most important provision, old age benefits, would come into effect only gradually, as workers, paying into the system, achieved the requisite number of quarters and such, and so became qualified.

This left the vast majority of older workers of that time with no prospect of Social Security benefits. Further, in 1935, only about six million persons, or 15 percent of those employed, held jobs covered by any sort of retirement system. Far fewer, some 100,000 - 200,000 persons, were actually receiving any sort of retirement pensions.

To tide over elderly individuals in the interim, Congress included, in Title I of the Act, a temporary program known as Old Age Assistance (OAA). OAA was designed to serve as a transitional program, a bridge, until Old Age Insurance took over. President Roosevelt explained in his Message to Congress on Social Security that it was necessary to create "non-contributory old-age pensions for those who are now too old to build up their own insurance," and that the temporary assistance program would have to continue for "perhaps thirty years" until the OAI program had matured sufficiently and more workers were covered.

Survivors Insurance and Aid to Dependent Children

In 1939, Congress amended the Act to include Survivors Insurance, which is to say a mother's pension and child support for the dependents of a covered worker. Until more workers became covered by Social Security, and their dependents could qualify for the newly enacted Survivors Insurance benefits, there was the Aid to Dependent Children program.

Just as Old Age Assistance bridged the gap until Old Age Insurance took root, the Aid to Dependent Children program, established under Title IV of the Social Security Act, was meant to provide temporary assistance for widows and orphans until more workers and their dependents qualified for Survivors Insurance.

It is important, I think, to note that the ADC program was so insignificant in the larger legislative scheme of things that President Roosevelt scarcely mentioned it in his Message to Congress. Federal aid to dependent children warranted less than two sentences.

Keep in mind the social and economic arrangements of that time. It was assumed that children lived in two parent families, that one parent worked, that the other kept house, and, as with most such assumptions, it was further assumed that things would remain so.

So long as and to the extent that the assumption was true, the transition from ADC to Survivors Insurance worked smoothly, just as the transition from Old Age benefits to regular Social Security retirement benefits did. In 1986 a fully mature Survivors Insurance program paid benefits to 1.9 million children in households where a parent had died. An additional 1.4 million children received Survivors benefits because their parents were disabled or retiring. In all, 3.3 million children received benefits under this insurance program.

Contrary To Expectations, ADC Did Not "Wither Away"

Unlike Old Age benefits, however, the program for dependent children, by now renamed Aid to Families with Dependent Children (or AFDC), did not "wither away." Just the opposite: it grew and grew and grew. The program now supports some 7 million children, twice the number of children receiving "insured" benefits.

The reason for this is well known. An earthquake shuddered through the American family structure.

Only a minority of American children may now expect to reach age 18 having lived continuously with their natural parents.

Sixty percent of children now being born may expect at one time or another to live in a single parent family; 9 in 10 of such families are headed by females.

Divorce accounts for some 68 percent of such families, separation 8 percent, illegitimacy another 20 percent and, finally, death of a spouse a mere 3 percent. (Recall that when the AFDC program began in the 1930s it was popularly assumed that the typical beneficiary would be a West Virginia miner's widow.)

Unless we move beyond welfare we can now assume that some one-third of children being born today will be "on" AFDC before reaching maturity.

Welfare, which is to say the AFDC program, is second only to public education as the government program which most touches the lives of the most American children.

AFDC Doesn't Work And Can't Work

AFDC is not working, and can't be made to work.

As a mass program it suffers three irreversible defects.

First, AFDC imposes an impossibly high marginal tax rate on any earnings welfare recipients may have. The AFDC program now taxes the poorest among us at rates higher than the wealthiest of us would have paid even before the Tax Reform Act of 1986.

Second, AFDC has a grim tendency to separate a small but desperately poor population into "welfare neighborhoods." We may puzzle as to how much is cause and how much is effect, but the neighborhoods are to be encountered in every city in the land. Less than one-tenth of the poor live in such neighborhoods, but the children growing up under such circumstances are likely to be among the long-term dependent.

Third, AFDC is unable to command stable political support. The reasons are self evident: A program that was designed for poor widows will not be supported in a world where mothers are poor because they are unsupported by their divorced husbands or because they are unwed. A program that was designed to pay mothers to stay at home with their children cannot succeed when we now observe most mothers going out to work.

This political ambivalence may help explain why AFDC benefits, alone among Social Security Act entitlements, have been allowed to decline in value. Between 1970 and 1986, in constant dollars, the AFDC payments in the median state declined by 33 percent.

Thus does the United States care for the most needful of its children.

This, mind, of children who receive such benefits. There are some 12 million poor children in the nation. For one or another reason, 5 million get nothing.

It is time to think anew, for indeed our condition is new. A half-century after the enactment of Social Security, we look up to find that insensate numbers of children are poor and that young children have seven times the poverty rate of the elderly.

Don't Reform AFDC -- Replace It

AFDC cannot be reformed. It should be replaced. We need a wholly new system of child support which, without abandoning ultimate security, puts its first emphasis on earned income and which, without giving up on the problems of deeply dependent families, extends coverage to all needful ones.

Back then to basics.

In developing a replacement program, I suggest we be guided by three principles:

First, the primary responsibility for child support rests with the child's parents. In a one parent family, the custodial parent has every right to expect the absent parent to contribute towards the child's care. (In the vast majority of cases, over 90 percent, this means a mother has every right to expect the father to contribute toward his child's care.) Systematically enforcing child support obligations is something we've begun to do, but we could do a great deal better at it. At present, only 58 percent of single mothers with children have court orders for child support from the absent fathers. Of these, only half receive the full amount due them; a quarter receive partial payment; and the remainder receive nothing.

Second, the able-bodied mother of the child also has a responsibility to support her child by working, at least part-time. However, if we expect a mother to go to work, it is incumbent upon us to help her train for and find a job. At the same time, we must provide the child-care, support, and transitional services that a working single parent requires.

Third, to the extent that parental support payments are inadequate, the government should provide a time-limited child-support supplement to the custodial parent. This transitional assistance would be phased out as the custodial parent begins earning her own income through a non-subsidized job. If, after a reasonable period of time, the parent has not secured a job, she would be required to accept placement in a public job as a condition of continued government support.

The building blocks of the new system are in place

We are closer to realizing such a system than we may think. Beginning in 1950, with the Notification of Law Enforcement Officials (NOLEO) amendment, Congress has slowly and steadily strengthened child support enforcement efforts. The Child Support Enforcement program was authorized as Title IV-D of the Social Security Act in 1975 and the program was most recently strengthened through the 1984 amendments.

As our Social Security system amply demonstrates, government can both efficiently and effectively collect taxes and disburse benefits. Should we not then consider authorizing the government to automatically withhold from wages the child support obligations owed by absent parents and to distribute the collections to single-parent families? If the child support collected, together with the earned income of the custodial parent, proves to be insufficient relative to a pre-determined minimum standard of adequacy, a government subsidy should be added to the child support check or paid in the form of a targeted wage supplement, such as the Earned Income Tax Credit (EITC).

Similarly, since 1962 the Federal government has been much involved with job training. As the Committee on Labor and Human Resources learned in testimony on Wednesday, this is never easy where the hardest cases are involved, but Senator Kennedy is not deterred by that reality. It is my hope, which he shares, that our two committees can come together with joint legislation addressed to this general problem. It is something we must do: the majority of mothers with young children -- 54% percent with children under six -- now spend some time working outside the home.

I have mentioned Federal programs. Clearly, however, nothing of consequence will be achieved without great and prolonged efforts by State and local government.

But the larger objective ought not get lost in the fine points; it is time that we reorder our priorities and move to the common ground we have so long been seeking. Nearly everyone agrees that AFDC is outmoded and inadequate. But for nearly 20 years we have been unable to agree on how best to reform it. That is because AFDC cannot be "reformed" and still be responsive to today's social realities. Our objective, therefore, should be to replace AFDC with a new national system of child support.

SENATOR MOYNIHAN'S FINAL STATEMENT: BEYOND WELFARE

A parting note on cost. The recent White House report on this subject states that some $120 billion in Federal funds was spent in FY '86 on "welfare." Some of the entries in the report list are dubious. Pell Grants are not welfare. Pell Grants are scholarships. Even so, there can be no doubt that there are sufficient monies already in the budget to fashion a child support program. This will be all the more so to the degree that parental support is involved. Indeed, we *should* end up saving money. Parental support, however, is a statement of social values which stands entirely on its own as a measure to be sought.

STATEMENT OF SENATOR BOB DOLE
WELFARE REFORM HEARINGS
SENATE FINANCE COMMITTEE
JANUARY 23, 1987

MR. CHAIRMAN:

FIRST, LET ME SAY THAT I CAN THINK OF NO ONE, ON EITHER SIDE OF THE POLITICAL AISLE, BETTER EQUIPPED, BETTER QUALIFIED, TO CHAIR THESE HEARINGS AND, HOPEFULLY, LATER IN THE SESSION TO DIRECT THE EFFORT TO DRAFT WELFARE REFORM LEGISLATION, THAN SENATOR MOYNIHAN.

HE HAS BEEN BOTH AN ACTIVE PARTICIPANT IN DEVELOPING WELFARE POLICY AND A KEEN, LEARNED OBSERVER OF WELFARE PROGRAMS FOR TWENTY YEARS. HIS BACKGROUND AND SENSITIVITY TO THE ISSUE WILL UNDOUBTEDLY ENHANCE THE FINANCE COMMITTEE'S ABILITY TO SUCCESSFULLY ADDRESS THIS CRITICAL ISSUE.

FOR WHILE THERE ARE A MULTITUDE OF APPROACHES ON HOW BEST TO ADDRESS THE PROBLEMS WITH WELFARE POLICY, THERE IS NO DISPUTE THAT SOMETHING MUST BE DONE.

THE FACTS ARE COLD AND HARD. THE POVERTY RATE, WHILE DROPPING IN CERTAIN DEMOGRAPHIC SEGMENTS LIKE THE ELDERLY, HAS STEADILY RISEN OVER THE PAST SEVEN YEARS. AN INCREASE, I MIGHT ADD, THAT STARTED BEFORE THE REAGAN ADMINISTRATION TOOK OFFICE.

AND THE GROUP MOST AFFECTED, UNFORTUNATELY, ARE CHILDREN. STATISTICS SHOW THAT FROM 1979 TO 1982 THE POVERTY RATE FOR CHILDREN IN MALE-HEADED FAMILIES ROSE 53 PERCENT. THE POVERTY RATE FOR CHILDREN IN FEMALE-HEADED FAMILIES, WHICH HAS ALWAYS BEEN HIGH, INCREASED 15 PERCENT DURING THE SAME TIME, REACHING 56 PERCENT.

SO NOW IS THE TIME TO ACT. NOW WHILE WE STILL HAVE THE OPPORTUNITY TO CREATE A BETTER, MORE PRODUCTIVE LIFE FOR THE NEXT GENERATION AND WHILE WE HAVE WHAT APPEARS TO BE A GROWING CONSENSUS ON HOW TO ADDRESS THESE AREAS.

COMPLAINTS ABOUT THE SYSTEM

AS I SAID, MR. CHAIRMAN, THE DEBATE OVER WELFARE POLICY ENCOMPASSES A GREAT DEAL. COMPLAINTS RANGE FROM THOSE WHO ARE OUTRAGED BY THE COSTS OF THE PROGRAM TO THOSE WHO BELIEVE WE ARE NOT SPENDING ENOUGH.

THERE ARE SOME WHO AGREE THAT THE FEDERAL GOVERNMENT HAS CREATED AN EVIL DEPENDENCY ON WELFARE -- A DEPENDENCY DOOMED TO REPEAT ITSELF GENERATION AFTER GENERATION. MEANWHILE, THERE ARE OTHERS WHO BELIEVE THAT THE CURRENT SYSTEM IS TOTALLY INADEQUATE, THAT WE HAVE NOT BROUGHT ENOUGH PEOPLE UP ABOVE THE POVERTY LINE, THAT THERE ARE WHOLE CLASSES OF PEOPLE, ESPECIALLY CHILDREN, WHO ARE FALLING THROUGH THE CRACKS.

ON THE BENEFIT SIDE THERE ARE THOSE WHO COMPLAIN ABOUT THE LACK OF UNIFORMITY, COMPETING WITH MANY WHO ENCOURAGE US TO PERMIT MORE EXPERIMENTATION. STATES HAVE IN FACT CREATED A WIDE VARIETY OF METHODS FOR DEALING WITH WELFARE, SOME OF WHICH CLEARLY WARRANT OUR ATTENTION. FOR EXAMPLE, GOVERNOR KEAN OF NEW JERSEY HAS RECENTLY PROPOSED A PLAN HE CALLS "REACT". THE PLAN CALLS FOR EVERY ABLE-BODIED WELFARE RECIPIENT TO WORK OR ATTEND SCHOOL. OF COURSE, THE WHOLE QUESTION CONCERNING WORK IS ITSELF A CONTROVERSIAL MATTER.

AND FINALLY THERE IS THE FUNDAMENTAL QUESTION AS TO WHO SHOULD BEAR THE RESPONSIBILITY FOR WELFARE PROGRAMS. THERE ARE THOSE WHO BELIEVE THAT THE FEDERAL GOVERNMENT SHOULD NOT BE INVOLVED IN WELFARE, THAT IT IS A STATE PROBLEM. AND THEN THERE ARE THOSE WHO WOULD PROPOSE TO SHIFT THE FULL BURDEN AWAY FROM THE STATES TO THE FEDS.

PIECES OF THE PUZZLE

DETERMINING WHAT IS TRUTH AND WHAT IS FICTION, AND DETERMINING WHAT THE BEST COURSE OF ACTION WILL BE THIS COMMITTEE'S JOB OVER THE COMING WEEKS AND MONTHS. I EXPECT THAT WITH THE EXCEPTION OF OUR VERY DISTINGUISHED CHAIRMAN, WE MUST ALL GO THROUGH AN EDUCATIONAL PROCESS. WE MUST LISTEN TO THOSE WHO CAN TELL US WHAT HAS BEEN GOING ON, AND LISTEN TO THE ALTERNATIVES --

INCLUDING THE ADMINISTRATION'S -- FOR HOW BEST TO APPROACH THE PROBLEM. I CAN ASSURE YOU, MR. CHAIRMAN, THAT I COME WITH NO PRECONCEIVED ANSWERS, AND AM ANXIOUS TO WORK WITH YOU.

I HAVE BEEN PARTICULARLY INVOLVED WITH THE FOOD STAMP PROGRAM, AND HAVE WORKED TO SEE THAT IT IS MAINTAINED AND SUCCESSFUL. LIKE SENATOR MOYNIHAN, I AM ALSO VERY FAMILIAR WITH SOCIAL SECURITY AND MEDICARE AND THE PROBLEMS THOSE SYSTEMS CONFRONTED. WE HAVE BEEN ABLE TO ADDRESS THESE ISSUES, AND IN THE CASE OF SOCIAL SECURITY, PUT THE SYSTEM BACK ON SOUND FOOTING JUST A FEW YEARS AGO.

SO THOSE OF US WHO HAVE BEEN INVOLVED IN THRASHING OUT "PEOPLE POLICIES," I BELIEVE, ARE WILLING AND EAGER TO TRY TO DEVELOP A HUMANE AND RESPONSIBLE WELFARE SYSTEM. BY THE TIME THESE HEARINGS ARE COMPLETED, THE PIECES OF THE WELFARE PUZZLE WILL ALL BE BEFORE US. IT WILL BE OUR JOB TO PUT THEM TOGETHER TO CREATE A PICTURE THAT REPRESENTS A BRIGHTER FUTURE FOR OUR CHILDREN. IF WE CAN DO THAT, THE 100TH CONGRESS WILL HAVE LEFT AN INVALUABLE LEGACY.

-###-

Statement of Senator George J. Mitchell
Subcommittee on Social Security and Family Policy
Hearing on Welfare Reform
January 23, 1987

Mr. Chairman, I commend your efforts in promptly scheduling this hearing before the Subcommittee on Social Security and Family Policy to review proposals to reform federal Income Security Programs.

Welfare reform will be a major domestic issue during the 100th Congress. In his 1986 State of the Union address, President Reagan called for welfare reform. Many other public officials including Governors and Members of Congress, have also begun to look for a new direction in our national welfare policies.

While recommendations vary widely in the reports released by different organizations and public officials on how best to achieve meaningful welfare reform, the concept of finding permanent employment for welfare beneficiaries is a dominant theme in most, if not all of these documents.

Last July, the House Democratic Caucus released a task force report entitled, "The Road to Independence: Strengthening America's Families in Need," which recommended a greater emphasis on helping the working poor and a renewed effort to help those dependent on government assistance obtain the education and training they require to become part of the work force.

Many state legislators and members of Congress are now advocating support for child care and job training programs which would allow welfare mothers to become wage earners. There seems to be a great deal of agreement on the goal of helping recipients break the "cycle of dependency" and to move permanently into the work force. The difficulty will be to determine the best way to achieve this goal.

There are a number of theories which attempt to explain the reasons for welfare dependency. The myth still existsthat welfare recipients lack self-discipline and would rather receive a welfare check than work. I do not believe that the vast majority of America's welfare recipients want to be dependent on the federal government. I believe that it is a lack of adequate education, poor job training opportunities and the burden of child care which force many to become dependent on federal income security programs.

A number of work incentive programs have been tried in limited areas throughout the country. The Work Incentive Program (WIN), the only federal program designed to help recipients of Aid to Families with Dependent Children (AFDC), emphasizes placing the maximum number of participants in self-supporting employment to reduce the Nation's welfare costs. Under the WIN Demonstration Program, States are encouraged to tailor their programs to the specific circumstances within each State.

In my home state of Maine, one of our Nation's smallest interms of population, over 4,500 welfare recipients have found jobs since the start of the WIN Demonstration Program in 1982. The Maine Department of Human Services estimates a savings in welfare dollars of $1.5 million.

Maine's WIN Demonstration Program, entitled WEET - Welfare, Employment Education and Training Program, emphasizes education and training for recipients to enable them to be placed in long-term employment. We believe this program has been very successful in Maine.

One young single mother of two school-aged children had been an AFDC recipient for over three years. Her AFDC grant was $370 a month, paid for by the taxpayers. She had an opportunity to join the WEET Program and was able to attend the Eastern Maine Vocational Technical Institute for two years. Druing that time she received financial support for child care and transportation.

Today this former welfare mother is employed as a carpenter earning over $1,200 a month, more than three times the amount she received while on welfare. She is better off, her family is better off, and the taxpayers are much better off.

Since coming to office in 1981, President Reagan has repeatedly expressed his support for the concept of workfare for welfare mothers. Yet at the same time, he has repeatedly supported the elimination of he only program that is specifically dedicated to enable welfare mothers to get jobs and get off welfare - the WIN Program.

I hope that the Congress is able to work with and have the support of the Administration in the welfare reform effort.

While I have not yet had an opportunity to carefully study all of the proposals before this committee, I do believe that welfare reform must include an education and training component. We must provide the technical skills necessary for welfare recipients to break the cycle of poverty by providing education and training which will enable them to earn a living wage. We must also remember that a welfare mother with pre-school children cannot attend classes or job training programs without child care assistance.

As the Chairman of the Health Subcommittee of Finance which has jurisdiction over the Medicaid Program, I am particularly interested in the recommendations that Medicaid coverage be expanded to the working poor ant that all poor children are covered by the program. I will carefully review these proposals as the committee continues to review the various reports before us on welfare reform.

I look forward to the testimony to be presented by this impressive group of witnesses today and welcome the opportunity to work with my colleagues in the Congress to develop meaningful welfare reform legislation. We must help current welfare recipients to regain their economic self-sufficiency as well as their self-esteem and confidance in their ability to contribute to the support of their families and of society.

BRIEF DESCRIPTION OF PRESENT LAW WELFARE PROGRAMS FOR FAMILIES

(Prepared by the staff of the Committee on Finance)

January 20, 1987

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BRIEF DESCRIPTION OF PRESENT LAW WELFARE PROGRAMS FOR FAMILIES

(prepared by the staff of the Committee on Finance)

A. Aid to Families with Dependent Children

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. Twenty-six States, Guam and the District of Columbia are currently providing benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 54 percent. States establish their own income eligibility and benefit levels.

The average number of families and recipients receiving monthly payments in selected fiscal years is as follows:

(in millions)

	1970	1975	1980	1981	1982	1983	1984	1985	1986
Families	1.9	3.3	3.6	3.9	3.6	3.7	3.7	3.7	3.7
Individuals	7.4	11.1	10.6	11.2	10.4	10.7	10.9	10.8	11.0

Total Federal and State expenditures for benefits and administration for selected fiscal years are as follows:

(in billions of dollars)

	1970	1975	1980	1981	1982	1983	1984	1985	(est.) 1986
Benefits	4.1	8.4	12.0	12.8	12.9	13.6	14.4	15.0	15.8
Admin.	.9*	1.1	1.5	1.6	1.8	1.8	1.7	1.8	2.0

* Includes expenditures for services.

Note -- Benefits do not include emergency assistance payments or reimbursement from child support enforcement collections. Foster care payments are included for 1975 and 1980. Beginning in fiscal year 1984, the costs of certifying AFDC households for food stamps are shown in the food stamp appropriation, U.S. Department of Agriculture Administrative figures include training expenditures.

Table 1 - Characteristics of AFDC Recipients
1969 - 1984

	May 1969	Jan. 1973	May 1975	Mar. 1977	Mar. 1979	Avg.a/ 1983	Avg.a/ 1984
Average Family Size (persons)	4.0	3.6	3.2	3.1	3.0	3.0	2.9
Number of Child Recipients (percent of AFDC cases)							
One	26.6	NA	37.9	40.3	42.3	43.4	44.1
Two	23.0	NA	26.0	27.3	28.1	29.8	29.6
Three	17.7	NA	16.1	16.1	15.6	15.2	15.5
Four or more	32.5	NA	20.0	16.3	13.9	10.1	10.0
Unknown	-	NA	-	-	-	1.5	0.8
Race/Ethnicity (percent of caretakers)							
White	NA	38.0	39.9	41.4	40.4	41.8	41.3
Black	45.2	45.8	44.3	43.0	43.1	43.8	41.9
Hispanic	NA	13.4	12.2	12.2	13.6	12.0	12.8
Native American	1.3	1.1	1.1	1.1	1.4	1.0	1.1
Asian	NA	NA	0.5	0.4	1.0	1.5	2.3
Other and unknown	4.8	1.7	2.0	1.9	0.4	-	0.6
Education of Mother (percent of mothers)							
Less than 8th Grade	19.0	NA	10.3	6.8	5.1	NA	NA
8th Grade	10.4	NA	6.4	4.8	4.4	NA	NA
1-3 years of HS	30.7	NA	31.7	25.1	20.8	NA	NA
High School Degree	16.0	NA	23.7	20.5	18.8	NA	NA
Some College	2.0	NA	3.9	3.0	2.7	NA	NA
College Graduate	0.2	NA	0.7	0.4	0.4	NA	NA
Unknown	21.6	NA	23.3	39.4	47.8	NA	NA
Basis for Eligibility (percent of children)							
Both parents present:							
Incapacitated	11.7	10.2	7.7	5.9	5.3	3.4	3.6
Unemployed	4.6	4.1	3.7	5.0	4.1	9.2	8.6
One or both parents absent:							
Death	5.5	5.0	3.7	2.6	2.2	1.9	1.9
Divorce or separ.	43.3	46.5	48.3	46.9	44.7	38.6	36.2
No marital tie	27.9	31.5	31.0	33.8	37.8	45.5	46.4
Other reason	3.5	2.7	4.0	5.7	5.9	1.4	1.2
Unknown	3.5	-	1.6	-	-	-	2.1

a. Average monthly figures for fiscal year.

Characteristics of AFDC Recipients, continued
1969 - 1984

	May 1969	Jan. 1973	May 1975	Mar. 1977	Mar. 1979	Avg.a/ 1983	Avg.a/ 1984
Mother's Employment Status (percent of mothers)							
Full-time job	8.2	9.8	10.4	8.4	8.7	1.5	1.2
Part-time job	6.3	6.3	5.7	5.3	5.4	3.4	3.6
Actively seeking work; in school or training	10.0	11.5	12.2	13.8	12.8	19.7	22.2
Age of mother (percent of mothers)							
Under 20	6.6	NA	8.3	8.1	4.1b/	3.6b/	NA
20-24	16.7	NA	43.1	42.8	28.0c/	28.6c/	NA
25-29	17.6	NA			21.4d/	23.8d/	NA
30-39	30.4	NA	27.9	24.2	27.2d/	27.9d/	NA
40 or over	25.0	NA	17.6	17.7	15.4d/	15.7d/	NA
Unknown	3.6	NA	3.0	7.2	4.0d/	0.3d/	NA
Ages of Children (percent of recipient children)							
Under 3	14.9	NA	16.5	17.3	18.9	22.5	21.6
3-5	17.6	NA	18.1	17.8	17.5	20.1	21.0
6-11	36.5	NA	33.7	33.9	33.0	31.5	31.9
12 and over	31.0	NA	30.9	30.1	29.8	25.5	25.5
Unknown	-	NA	0.8	0.9	0.9	0.3	0.2
Median Number of Months on AFDC	23	27	31	26	29	26	26

SOURCES: Tabulations from the Office of Family Assistance, HHS; National Center for Social Statistics, AFDC: Selected Statistical Data on Families Aided and Program Operations, NCSS Report H-4(71), 1971; Office of Research and Statistics, Social Security Administration, AFDC: A Chartbook, 1978 & 1979; ORS, SSA, 1979 Recipient Characteristics Study, Part 1, 1982; ORS, SSA, 1983 Recipient Characteristics and Financial Circumstances of AFDC Recipients, 1986; Committee on Ways and Means, Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means, 1986; and unpublished statistics from the 1984 AFDC quality control data.

a. Average monthly figures for fiscal year.
b. Under age 19. Includes other caretaker adult if mother absent.
c. Ages 19-24. Includes other caretaker adult if mother absent.
d. Includes other caretaker adult if mother absent.

SOURCE: Congressional Budget Office, January 19, 1987

TABLE 2 —PERCENTAGE OF AFDC RECIPIENTS WITH VARIOUS CHARACTERISTICS AND AVERAGE TOTAL DURATIONS OF AFDC RECEIPT

Recipient characteristics at time of first spell beginning	Percent of all first-time recipients (new beginnings)	Percent of recipients at any point in time [1]	Average number of years of AFDC receipt	Percent who will have AFDC spells of 10 or more years
Age:				
Under 22	30.0	35.9	8.23	32.8
22 to 30	40.7	41.9	7.08	25.8
31 to 40	11.8	8.8	5.15	15.0
Over 40	17.6	13.4	5.23	15.8
Race/ethnicity:				
White	55.2	47.7	5.95	19.6
Black	40.1	47.4	8.14	32.0
Other	4.8	4.8	6.94	25.5
Years of education:				
Under 9	9.7	9.6	6.81	24.5
9 to 11	37.6	41.9	7.65	29.2
Over 11	52.7	48.5	6.33	21.8
Marital status:				
Single	29.5	40.0	9.33	39.3
Divorced	28.1	20.2	4.94	13.7
Separated	32.3	31.9	6.80	24.4
Widowed	8.4	5.3	4.37	10.2
Number of children:				
0 to 1	43.4	48.7	7.71	29.7
2 to 3	42.8	37.3	6.04	20.1
Over 3	13.8	13.7	6.83	24.5
Age of youngest child:				
Under 3	51.3	60.4	8.09	31.9
3 to 5	22.5	22.3	6.79	24.2
6 to 10	19.7	12.9	4.51	11.3
Over 10	6.5	4.4	4.71	12.4
Work experience:				
Worked in the last 2 years	65.8	59.6	6.53	23.0
Did not work in the last 2 yeras	34.2	39.8	8.00	31.2
Disability status:				
No disability	81.6	81.4	6.85	24.8
Disability limits work	18.4	18.6	6.97	25.0

[1] These figures assume that the AFDC caseload is in a "steady state."

Source: David T. Ellwood, "Targeting Would-Be Long-Term Receipts of AFDC," Table IV-1. Simulation model estimates are based on the 15-year panel study of income dynamics. For each individual who began a first spell on or after the third sample year of the PSID, probabilities are predicted for exiting from first spell, for recidivism, and for exiting from later spells, based on the logit models reported in appendix table A.4. Then, using a technique described in appendix A, we constructed estimates of welfare dynamics.

TABLE 3 .—BENEFITS TO AFDC FAMILY OF THREE, BY STATE, JULY 1985–JUNE 1986

State	AFDC	Food stamps	LIHEAP	Total
Alabama	$1,416	$2,523	$101	$4,040
Alaska	8,754	2,352	435	11,541
Arizona	3,156	2,423	128	5,707
Arkansas	2,304	2,523	110	4,937
California	7,044	1,261	131	8,436
Colorado	4,152	2,128	380	6,660
Connecticut	5,844	1,621	520	7,985
Delaware	3,543	2,311	355	6,209
District of Columbia	3,924	2,197	303	6,424
Florida	2,952	2,488	126	5,566
Georgia	2,775	2,511	160	5,446
Hawaii	5,616	3,428	100	9,144
Idaho	3,648	2,279	210	6,137
Illinois	3,624	2,287	226	6,137
Indiana	3,072	2,452	308	5,832
Iowa	4,446	2,040	264	6,750
Kansas	4,398	2,054	242	6,694
Kentucky	2,364	2,523	126	5,013
Louisiana	2,280	2,523	101	4,904
Maine	4,611	1,991	300	6,902
Maryland	3,948	2,189	295	6,432
Massachusetts	5,184	1,819	560	7,563
Michigan	4,740	1,952	134	6,826
Minnesota	6,336	1,473	430	8,239
Mississippi	1,440	2,523	179	4,142
Missouri	3,288	2,387	223	5,898
Montana	3,984	2,179	404	6,567
Nebraska	4,200	2,114	350	6,664
Nevada	3,420	2,348	200	5,968
New Hampshire	4,668	1,973	454	7,095
New Jersey	4,848	1,919	328	7,095
New Mexico	3,096	2,445	194	5,735
New York	5,826	1,626	229	7,681
North Carolina	2,952	2,488	147	5,587
North Dakota	4,452	2,038	500	6,990
Ohio	3,480	2,330	163	5,973
Oklahoma	3,608	2,291	140	6,039
Oregon	4,731	1,955	202	6,888
Pennsylvania	4,278	2,090	178	6,546
Rhode Island	5,472	1,732	350	7,554
South Carolina	2,352	2,523	117	4,992
South Dakota	3,432	2,344	339	6,115
Tennessee	1,836	2,523	218	4,577
Texas	2,174	2,523	63	4,760
Utah	4,512	2,020	265	6,797
Vermont	6,372	1,462	440	8,274
Virginia	3,492	2,326	326	6,144
Washington	5,544	1,711	162	7,417
West Virginia	2,988	2,477	142	5,607
Wisconsin	6,506	1,422	246	8,174
Wyoming	4,320	2,078	230	6,628

AFDC: Amounts shown are those paid for basic needs to a family of one adult and two children with no income or special needs in each State's highest caseload area, and are taken from information in approved State plans for AFDC.

Food Stamps: Amounts were computed using the AFDC benefit as the only income and applying the maximum shelter deduction as well as the standard deduction. The actual amounts used are as follows:

TABLE 3 - Continued

	48 States and D.C.	Alaska	Hawaii
Monthly food stamp allotment:			
July to September 1985	$208	$290	$319
October 1985 to September 1986	211	293	327
Monthly standard deduction:			
July to September 1985	95	162	134
October 1985 to September 1986	98	168	139
Monthly ceiling on shelter expense deductions:			
July to September 1985	134	233	192
October 1985 to April 1986	139	242	199
May to June 1986	147	256	210

LIHEAP: Low Income Home Energy Assistance Program (LIHEAP) figures shown represent State-provided estimates of average heating benefits for the fiscal year 1986 heating period, which typically started in October or November 1985 and ended at the end of April 1986 or before. The average LIHEAP household size was determined to be 2.53 persons in fiscal year 1981.

Average heating benefits for Hawaii and Tennessee were derived by OFA by dividing the total amount of funds estimated by the State to be used for heating benfits by the total number of households the State estimated it would serve in the heating component.

Source: Provided by the Administration, June 27, 1986.

TABLE 4 .—AFDC JANUARY 1986 BREAKEVEN POINTS, FAMILY OF 4, FIRST 4 MONTHS, BY STATE

	Child care, $0; work expense, $75		185 percent of need std.	Effective breakeven	Breakeven as a percent of—	
	AFDC maximum	Computed breakeven			Poverty level	Minimum wage
Alabama	147	$326	$888	$326	35	56
Alaska	800	1,305	1,480	1,305	142	225
Arizona	282	528	522	522	57	90
Arkansas	224	441	505	441	48	76
California	698	1,152	1,291	1,152	126	198
Colorado	420	735	944	735	80	127
Connecticut	572	963	1,058	963	105	166
Delaware	349	629	646	629	69	108
District of Columbia	399	704	1,476	704	77	121
Florida	284	531	866	531	58	91
Georgia	264	501	799	501	55	86
Hawaii	547	924	1,010	924	101	159
Idaho	344	621	1,160	621	68	107
Illinois	368	657	1,319	657	72	113
Indiana	316	579	672	579	63	100
Iowa	419	734	775	734	80	126
Kansas	420	735	777	735	80	127
Kentucky	246	474	455	455	50	78
Louisiana	234	456	1,317	456	50	79
Maine	465	803	1,186	803	88	138
Maryland	395	698	1,010	698	76	120
Massachusetts	505	863	953	863	94	149
Michigan	441	767	892	767	84	132
Minnesota	616	1,029	1,140	1,029	112	177
Mississippi	144	321	805	321	35	55
Missouri	320	585	675	585	64	101
Montana	425	743	949	743	81	128
Nebraska	420	735	777	735	80	127
Nevada	341	617	631	617	67	106
New Hampshire	442	768	818	768	84	132
New Jersey	465	803	860	803	88	138
New Mexico	313	575	579	575	63	99
New York	566	954	1,047	954	104	164
North Carolina	269	509	995	509	55	88
North Dakota	454	786	840	786	86	135
Ohio	360	645	1,497	645	70	111
Oklahoma	349	629	1,079	629	69	108
Oregon	482	828	892	828	90	143
Pennsylvania	429	749	1,339	749	82	129
Rhode Island	467	806	864	806	88	139
South Carolina	239	464	821	464	51	80
South Dakota	371	662	686	662	72	114
Tennessee	186	384	764	384	42	66
Texas	221	437	1,278	437	48	75
Utah	430	764	1,497	764	83	131
Vermont	596	999	1,685	999	109	172
Virginia	347	626	714	626	68	108
Washington	544	921	1,584	921	100	159
West Virginia	312	573	1,153	573	62	99
Wisconsin	649	1,079	1,413	1,079	118	186
Wyoming	390	690	722	690	75	119

Source: Provided by the Administration, June 27, 1986.

TABLE 5. AFDC JANUARY 1986 BREAKEVEN POINTS, FAMILY OF 4, MONTHS 5–12, BY STATE

	Child care, $0, work expense, $75		185 percent of need std.	Effective breakeven	Breakeven as a percent of—	
	AFDC maximum	Computed breakeven			Poverty level	Minimum wage
Alabama	147	$252	$888	$252	27	43
Alaska	800	905	1,480	905	99	156
Arizona	282	387	522	387	42	67
Arkansas	224	329	505	329	36	57
California	698	803	1,291	803	88	138
Colorado	420	525	944	525	57	90
Connecticut	572	677	1,058	677	74	117
Delaware	349	454	646	454	50	78
District of Columbia	399	504	1,476	504	55	87
Florida	284	389	866	389	42	67
Georgia	264	369	799	369	40	64
Hawaii	546	651	1,010	651	71	112
Idaho	344	449	1,160	449	49	77
Illinois	368	473	1,319	473	52	81
Indiana	316	421	672	421	46	73
Iowa	419	524	775	524	57	90
Kansas	420	525	777	525	57	90
Kentucky	246	351	455	351	38	60
Louisiana	234	339	1,317	339	37	58
Maine	465	570	1,186	570	62	98
Maryland	395	500	1,010	500	55	86
Massachusetts	505	610	953	610	67	105
Michigan	441	546	892	546	60	94
Minnesota	616	721	1,140	721	79	124
Mississippi	144	249	605	249	27	43
Missouri	320	425	675	425	46	73
Montana	425	530	949	530	58	91
Nebraska	420	525	777	525	57	90
Nevada	341	446	631	446	49	77
New Hampshire	442	547	818	547	60	94
New Jersey	465	570	860	570	62	98
New Mexico	313	418	579	418	46	72
New York	566	671	1,047	671	73	116
North Carolina	269	374	995	374	41	64
North Dakota	454	559	840	559	61	96
Ohio	360	465	1,497	465	51	80
Oklahoma	349	454	1,079	454	50	78
Oregon	482	587	892	587	64	101
Pennsylvania	429	534	1,339	534	58	92
Rhode Island	467	572	864	572	62	99
South Carolina	239	344	821	344	38	59
South Dakota	371	476	686	476	52	82
Tennessee	186	291	764	291	32	50
Texas	221	326	1,278	326	36	56
Utah	439	544	1,497	544	59	94
Vermont	596	701	1,685	701	76	121
Virginia	347	452	714	452	49	78
Washington	544	649	1,584	649	71	112
West Virginia	312	417	1,153	417	45	72
Wisconsin	649	754	1,413	754	82	130
Wyoming	390	495	722	495	54	85

Source: Provided by the Administration, June 27, 1986.

TABLE 6. —AFDC JANUARY 1986 BREAKEVEN POINTS, FAMILY OF 4, AFTER 12 MONTHS, BY STATE

	Child Care, $0. work expense, $75		185 percent of need std.	Effective breakeven	Breakeven as a percent of—	
	AFDC maximum	Computed Breakeven			Poverty level	Minimum wage
Alabama	147	$222	$888	$222	24	38
Alaska	800	875	1,480	875	95	151
Arizona	282	357	522	357	39	61
Arkansas	224	299	505	299	33	51
California	698	773	1,291	773	84	133
Colorado	420	495	944	495	54	85
Connecticut	572	647	1,058	647	71	111
Delaware	349	424	646	424	46	73
District of Columbia	399	474	1,476	474	52	82
Florida	284	359	866	359	39	62
Georgia	264	339	799	339	37	58
Hawaii	546	621	1,010	621	68	107
Idaho	344	419	1,160	419	46	72
Illinois	368	443	1,319	443	48	76
Indiana	316	391	672	391	43	67
Iowa	419	494	775	494	54	85
Kansas	420	495	777	495	54	85
Kentucky	246	321	455	321	35	55
Louisiana	234	309	1,317	309	34	53
Maine	465	540	1,186	540	59	93
Maryland	395	470	1,010	470	51	81
Massachusetts	505	580	953	580	63	100
Michigan	441	516	892	516	56	89
Minnesota	616	691	1,140	691	75	119
Mississippi	144	219	605	219	24	38
Missouri	320	395	675	395	43	68
Montana	425	500	949	500	55	86
Nebraska	420	495	777	495	54	85
Nevada	341	416	631	416	45	72
New Hampshire	442	517	818	517	56	89
New Jersey	465	540	860	540	59	93
New Mexico	313	388	579	388	42	67
New York	566	641	1,047	641	70	110
North Carolina	269	344	995	344	38	59
North Dakota	454	529	840	529	58	91
Ohio	360	435	1,497	435	47	75
Oklahoma	349	424	1,079	424	46	73
Oregon	482	557	892	557	61	96
Pennsylvania	429	504	1,339	504	55	87
Rhode Island	467	542	864	542	59	93
South Carolina	239	314	821	314	34	54
South Dakota	371	446	686	446	49	77
Tennessee	186	261	764	261	28	45
Texas	221	296	1,278	296	32	51
Utah	439	514	1,497	514	56	89
Vermont	596	671	1,685	671	73	116
Virginia	347	422	714	422	46	73
Washington	544	619	1,584	619	68	107
West Virginia	312	387	1,153	387	42	67
Wisconsin	649	724	1,413	724	79	125
Wyoming	390	465	722	465	51	80

Source: Provided by the Administration, June 27, 1986.

B. Employment and Training Programs for AFDC Applicants and Recipients

There are several employment and training programs that States may use to provide services to AFDC applicants and recipients. The work incentive program (WIN) was enacted in 1967. The WIN legislation requires all States to operate a WIN program in which adult applicants and recipients, with specific exceptions, are required to register for services and to participate in activities to which they are referred. Amendments in 1981 allowed States to operate WIN demonstration programs as an alternative to WIN. The demonstrations are aimed at testing single-agency administration, and must be operated under the direction of the State welfare agency. The legislation includes broad waiver authority.

Funding for the WIN program in recent years has been declining: FY 1980 - $365 million, 1981 - $365 million, 1982 - $281 million, 1983 - $271 million, 1984 - $267 million, 1985 - $264 million, 1986 - $211 million, and 1987 - $103 million.

Legislation in 1981 authorized the States to operate community work experience (CWEP) programs, and to require recipients to participate in these programs as a condition of eligibility.

The 1981 legislation also authorized States to operate work supplementation programs in which States are permitted to use welfare funds to subsidize public and private employment for recipients. In 1982 States were given authority to require applicants and recipients to participate in State job search programs. States may receive 50 percent Federal matching for the costs of administering these programs. Data are not available to show how much is being spent for these programs.

In addition to the above alternative programs, the Secretary of HHS may allow States to operate their own demonstration programs under general demonstration authority in the Social Security Act.

TABLE I. —ESTIMATES OF MONTHLY PARTICIPATION IN AFDC WORK PROGRAMS

State	CWEP (fiscal years)			Employment search (fiscal years)		
	1985	1986	1987	1985	1986	1987
Alabama	260	386	386			
Alaska						
Arizona						
Arkansas						
California	(1)	(1)	(1)	(3)	(3)	(3)
Colorado	435	382	382			
Connecticut						
Delaware						
District of Columbia						
Florida				(1)	(1)	(1)
Georgia	(1)	(1)	(1)		(2)	(2)
Hawaii						
Idaho	(1)	(1)	(1)			
Illinois	(1)	(1)	(1)			
Indiana						
Iowa		870	900			
Kansas	1,300	1,364	1,431	314	329	345
Kentucky						
Louisiana						
Maine				332	374	426
Maryland				(3)	(3)	(3)
Massachusetts				5,400	7,000	8,000
Michigan	(1)	(1)	(1)			
Minnesota	234	250	270			
Mississippi						
Missouri			17,854			
Montana						
Nebraska		(2)	(2)		(2)	(2)
Nevada						
New Hampshire						
New Jersey					(2)	(2)
New Mexico	37	40	40			
New York	2,790	2,800	2,800			
North Carolina	2,388	3,852				
North Dakota	201	201	201			
Ohio	1,386	2,773	4,159	449	897	1,346
Oklahoma	800	800	800	1,195	1,195	1,195
Oregon				10,552	12,047	12,505
Pennsylvania	(1)	(1)	(1)			
Rhode Island					750	750
South Carolina	31	31	31		39	39
South Dakota	265	265	265			
Tennessee						
Texas				4,076	4,855	4,880
Utah				(1)	(1)	(1)
Vermont	123	160	160	1,500	2,000	2,000
Virginia	21,675	21,750	22,000	(1)	(1)	(1)
Washington	17	17	16	979	936	862
West Virginia	4,000	4,800	5,200			
Wisconsin		(2)	(2)			
Wyoming						
Guam						
Puerto Rico						
Virgin Island						
Total	35,942	40,741	56,895	24,797	30,422	32,348

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[1] Did not report; program was operational during fiscal year 1985 and fiscal year 1986.
[2] Did not report: program began or is expected to begin during fiscal year 1986.
[3] Did not report: part of a demonstration.

Note. In some cases [illegible]

TABLE 2.—STATE ELECTION OF AFDC WORK PROGRAMS

State	Community Work Experience	Job Search	Grant diversion	WIN Demonstration	WIN
Alabama	X				X
Alaska					X
Arizona			X	[1] X	
Arkansas				X	
California	X	X		X	
Colorado	X		X		X
Connecticut			X	X	
Delaware				X	
District of Columbia					X
Florida		X	X	[1] X	
Georgia	X	X		X	
Guam					X
Hawaii					X
Idaho	X				X
Illinios	X			[1] X	
Indiana				X	
Iowa	X			X	
Kansas	X	X			X
Kentucky					X
Louisiana					X
Maine		X	X	X	
Maryland		X	X	[1] X	
Massachusetts		X	X	[1] X	
Michigan	X		X	X	
Minnesota	X		X		X
Mississippi					X
Missouri					X
Montana					X
Nebraska	X	X		[1] X	
Nevada					X
New Hampshire					X
New Jersey		X	X	[1] X	
New Mexico					X
New York	X		X	X	
North Carolina	X				X
North Dakota	X				X
Ohio	X	X	X		X
Oklahoma	X	X		[1] X	
Oregon		X	X	X	
Pennsylvania	X			[1] X	
Puerto Rico					X
Rhode Island		X			X
South Carolina	X	X			X
South Dakota	X			[1] X	
Tennessee				X	
Texas		X	X	[1] X	
Utah		X			X
Vermont	X	X	X		X
Virgin Islands					X
Virginia				X	
Washington	X	X			X
West Virginia	X			X	
Wisconsin				X	
Wyoming	[2] X				X

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[1] These States operate a WIN demonstration that includes significant subcontracting for employment and training services to the State's employment security agency or job training partnership agency, or both.

[2] Effective July 1, 1986.

Source: Provided by the Administration June 27 1986

C. Child Support Enforcement

The purpose of the Child Support Enforcement (CSE) program is to enforce support obligations owed by absent parents to their children, locate absent parents, establish paternity and obtain child support. The program serves both AFDC and non-AFDC families. As a condition of eligibility for AFDC, each applicant or recipient must assign the State any rights to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC.

The Federal Government pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-end entitlement basis. In addition, 90 percent Federal matching is available on an open-end entitlement basis to States that elect to establish an automatic data processing and information retrieval system. The 70 percent matching rate is scheduled to decline to 68 percent in 1988 and to 66 percent in 1990.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first $50 per month of such collections is passed through to the family. The amounts retained by the Government are distributed between the Federal and State governments according to the proportional matching share which each has under the State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, and to operate their programs on a cost effective basis, the law provides for a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families, The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections, depending on the cost effectiveness of the State's program. (The incentive payments for non-welfare collections may not exceed 100 percent of the incentive payments for welfare collections. This percentage increases to 105 percent in 1988, 110 percent in 1989 and 115 percent for years thereafter.) These incentive payments are financed from the Federal share of collections.

TABLE 1. - SUMMARY OF NATIONAL STATISTICS, SELECTED FISCAL YEARS

I. Financial Data (in millions)	1978	1981	1984	1985	1986
Collections:					
Total	$1,047	$1,629	$2,378	$2,698	$3,222
AFDC	472	671	1,000	1,092	1,228
Non-AFDC	575	958	1,378	1,604	1,994
Administration:					
Total	312	526	722	814	913
Incentive Payments:	54	91	134	131	160
II. Program Operations (in thousands)					
Average number of cases in which collection made:					
AFDC	458	548	647	679	609 1/
non-AFDC	249	325	547	654	764
Families removed from AFDC due to child support	19	46	41	34	248 2/
Parents located	454	696	875	878	945
Paternities established	111	164	219	232	244
Support obligations established	315	414	573	669	717
% of AFDC assistance payments recovered through child support	*	5.2	7.0	7.3	*
Total child support collections per $ of total administrative expenses	$3.35	$3.09	$3.29	$3.31	$3.53

* Not available

1/ Includes only those cases in which there were arrearages.

2/ A new reporting system instituted in 1986 changed this reporting category to include all IV-A cases closed when a child support payment was received. This includes cases closed for other reasons.

Source: Office of Child Support Enforcement

D. - GENERAL POPULATION DATA

TABLE 1. —NUMBER AND PERCENT OF MOTHERS IN LABOR FORCE WITH CHILDREN UNDER 18, MARCH OF SELECTED YEARS, 1950–85

[Numbers in thousands]

Selected years	Civilian labor force			As percent of population			
	Total, with children under 18	With children 6 to 17 years only	With children under 6	Total with children under 18	With children 6 to 17 years only	With children under age 6	With children under age 3
March of:							
1950	4,626	2,925	1,701	21.6	32.8	13.6	NA
1955	6,522	4,048	2,474	27.0	38.4	18.2	NA
1960	8.018	5,120	2,898	30.4	42.5	20.2	NA
1965	9,682	6,000	3,682	35.0	45.7	25.3	NA
1970	12,214	7,642	4,572	42.1	51.5	32.3	NA
1975	14,467	8,875	5,592	47.3	54.8	38.8	34.1
1980	17,790	11,252	6,538	56.6	64.3	46.8	41.9
1985	20,041	11,826	8,215	62.1	69.9	53.5	49.5

Note: Children are defined as "own" children of the family. Included are never-married daughters, sons, stepchildren, and adopted children. Excluded are other related children such as grandchildren, niece, nephews, and cousins, and unrelated children.

Source: U.S. Department of Labor, Bureau of Labor Statistics, June 1986.

TABLE 2. —STATUS OF CHILDREN: 1960–84

[In thousands]

	1960	1970	1975	1980	1984
Children under 18:					
Total in population	63,727	69,162	64,165	63,427	62,1398
Living with 1 parent	5,832	8,199	11,245	12,466	14,025
As percent of all children	9.2	11.9	17.5	19.7	22.6
Living with never-married parent	243	557	1,198	1,820	3,360
As percent of all children	.4	.8	1.9	2.9	5.4
Receiving Aid to Families with Dependent Children [1]	2,314	6,214	8,095	7,419	7,200

[1] Includes some children age 18 to 22.

Source: Based on Census and DHHS publications.

Senator **Moynihan**. A very good morning to the determined advocates of welfare reform, who appear on this occasion. I see Mr. Spencer Rich has not failed to arrive, as well, which means the hearing can commence.

I want to express the chair's understanding that the government is officially closed—that another three inches of snow has brought the United States to a halt. It is a good thing we didn't locate our capital in Albany. [Laughter.]

I have an opening statement, which I will put in the record as if read, pausing only to take note of the statement by Governor Clinton of Arkansas, who is Chairman of the National Governors Association and is the person we most associate with the current interest of the governors in changing the arrangement of what we call "welfare" in our country.

There is a great coming together of interests and information—surprising in its way. But after a long period of latency, even indifference, we look up to find that in state governments and city governments and county governments, all manner of experimentation is taking place, and in the universities and departments of social welfare all manner of research findings are coming forward.

The President has a proposal that we will have this week, the Governors will have a proposal this week, and we are about to hear joining our subcommittee, with the President calling for changes in our welfare system, with governors and mayors and scholars coming forth with remarkably convergent proposals, we may just have one of those rare alignments that brings about genuine social change.

I believe we witnessed this sort of alignment 4 years ago, when in the space of 12 days, January 4 to January 15, Senator Dole and I and Representative Barber Conable and members of the White House staff worked out the historic Social Security amendments of that year, which ensured the solvency of the Social Security retirement funds well into the next century.

And just possibly, we will now do as much again with those provisions of the Social Security Act which concern children. The committee will continue its close attention to the Social Security retirement program. We do not, however, anticipate any major legislation in the 100th Congress.

In the aftermath of the Social Security Amendments of 1983, retirement benefits would seem fully secure. I spoke just yesterday with Mr. Harry Ballantyne, who is the chief actuary of the Social Security Administration, and he informed me that, by his present calculations, the Old Age and Survivors Trust Fund will increase in the moneys deposited each year between now and the year 2034.

Security for the aged is now a settled fact. In this circumstance, it appears to us that we should direct our attention in the next two years to the condition of children in America, because Social Security is much more than a retirement plan. Sometimes we lost sight of that.

This was not the case in 1935, however, when the program was proposed and enacted. In his message to Congress of January 17 of that year, President Roosevelt made clear that Social Security was intended to provide income insurance for every stage and every condition of life, starting with childhood. At the time of enactment, we were in the midst of the Great Depression, and the most salient feature of the Social Security legislation was unemployment compensation, Title III, which went into effect immediately.

The most important long-range provision was that of providing old-age benefits, but that would come into effect only gradually as workers paying into the system achieved the requisite number of covered quarters to become qualified. This left the vast majority of older persons and older workers at that time with no prospect themselves for getting Social Security retirement benefits.

Moreover, in 1935, there were only some six million persons, or about 15 percent of those employed, who had jobs covered by any sort of retirement system. And at most, there were some 200,000 persons then receiving retirement benefits.

And so, to tide over elderly individuals in the interim, Congress included in Title I of the Act a temporary program, known as Old Age Assistance. OAA, as it came to be called, was designed to serve as a transitional program, a simple bridge, until old age insurance took over.

And President Roosevelt explained in his message to the Congress that this was exactly the case and it was necessary to create, and I quote him, "noncontributory old-age pensions for those who are now too old to build up their insurance." He went on to say that the temporary programs would have to continue for, and again I quote, "perhaps 30 years, until OAI, old age insurance, had matured sufficiently and most workers were covered."

And that is exactly what happened. In 1939, Congress amended the Act to include Survivors Insurance, which provided for 2 mother's pension and child support for the dependents of a covered worker who died. Until more workers qualified, however, there was to be the Aid to Dependent Children Program, the exact model, the exact comparison.

Just as old age assistance bridged the gap until old age insurance took root, the Aid to Dependent Children Program established under Title IV of the Social Security Act was meant to provide temporary assistance for widows and orphans until more workers and their dependents qualified for survivors insurance.

That would not have taken 30 years. Well, in the mid 1940s, most workers would have in fact been covered in that manner. It is important, I think, to note that the ADC Program was so insignificant in the larger legislative scheme of things that President Roosevelt scarcely mentioned it in his message to the Congress. Federal aid to dependent children warranted less than two sentences in that message.

And keep in mind the social and economic arrangements of that time. It was assumed that children lived in two-parent families, that one parent worked, that the other kept house, and that, as with other assumptions, it was assumed that this would remain the case, so long as and to the extent that the assumption was true that the transition from ADC to survivors insurance works fluently, just as the transition from old-age benefits to regular Social Security retirement benefits did.

In 1986 a fully mature Survivors Insurance Program paid benefits to 1.9 million children in households where parents had died. An addition 1.4 million children received survivors benefits because their parents were disabled or retired. In all, 3.3 million children received benefits under this insurance program.

Unlike old-age benefits, however, the program for dependent children, now renamed Aid to Families with Dependent Children, the familiar AFDC, did not wither away. Just the opposite, it grew and grew and grew. The program now supports more than 7 million children, twice the number receiving insured benefits. The reason for this is well known: an earthquake shuddered through the American family structure.

Only a minority of American children may now expect to reach age 18 having lived continuously with both their natural parents. Sixty percent of children now being born may expect at one time or another to live in a single-parent family. Nine in ten of such families are headed by females. Divorce accounts for some 68 percent of such families, separation 8 percent, illigtimacy another 20 percent, and death of a spouse, a mere 3 percent.

You will recall that when AFDC began in the 1930s, it was primarily assumed that the typical beneficiary would be a West Virginia miner's widow. Unless we move beyond welfare, the mid-range estimates predict that some one-third of children being born today will be on AFDC before reaching maturity. Welfare, which is to say the AFDC Program, is second only to public education as the Government program which most touches the lives of most American children.

AFDC is not working, and it can't be made to work. As a mass program, it suffers three irreversible defects. First, AFDC imposes an impossibly high marginal tax rate on any earnings welfare recipients may have. The program now taxes the poorest among us at rates higher than the wealthiest would pay even before the Tax Reform Act of 1986.

Second, the program has a grim tendency to separate small but desperately poor populations into welfare neighborhoods. We may puzzle as to how much cause and how much effect, but the neighborhoods are to be encountered in every major city in the land.

Now, less than one-tenth of the poor live in such neighborhoods, but children growing up in them are much more likely to become dependent themselves.

And finally, AFDC is unable to command stable political support. The best of the reputable evidence is that since 1970, we have allowed the real value of benefits to children under the program to decline in the median State by one-third; thus does the United States care for its children. On the other hand, a great many children receive no benefits of any kind. Of some 12 million poor children in the country, 5 million receive no benefits of any sort.

It is time, it seems to many of us, to think anew, for indeed our condition is new. A half-century after the enactment of Social Security, we looked up to find that insensate numbers of children are poor. Indeed, counting the value of non-cash benefits, our young children have seven times the poverty rate of the elderly.

In the view of many of us, AFDC can't be reformed. It should be replaced. We need a wholly new system of child support which, without abandoning ultimate security, puts its first emphasis on earned income and which, without giving up on the problems of deeply dependent children, extends coverage to all needy ones.

Back then to basics. In summary, a replacement program would involve three principles. First, the primary responsibility for child support rests with the child's parents. In a one-parent family, the custodial parent has every right to expect the absent parent to contribute toward the child's care. In the vast majority, this means that the mother has that right. At present only 58 percent of single mothers with children have court orders for child support payments; of these, only half receive the full amount due them. The general level of support for children by an absent parent is abysmal and sporadic

We ought second to expect an able-bodied mother to work, at least part time. Most mothers do. This has been a great transformation in our labor markets and our social behavior. And finally, to the extent that parental support payments are inadequate, the Government must provide a time limited child support supplement to the custodial parent. It must provide jobs for those who can't get jobs and services for those who need them.

To conclude, I just want to note that the building blocks of such a system are now in place. Congress has already enacted statutes that provide this kind of structure. And going back to 1950, in the Notification of Law Enforcement Officials Amendment and since then, Congress has slowly and steadily supported or strengthened child support enforcement measures; they are simply not universal. Our last amendments were in 1984. The Social Security retirement system clearly demonstrates that Government can both efficiently and effectively collect taxes and disperse benefits.

And should we not then consider authorizing the Government to automatically withhold from wages the child support obligations owed by absent parents and to distribute the collections to their families?

Since 1962 we have been much involved with job training. We know a great deal more about the subject; we know how to distinguish persons who are in need of it. We know how difficult it is for some and how successful it is for others; but it is not an area of inexperience or a lack of data and findings.

A final note on finances. In its own recent report on the subject, "Up From Dependency," the White House Domestic Policy Council Low Income Opportunity Working Group estimates that in fiscal year 1985 we spent some $150 billion in Federal and state moneys on welfare activities. Some of the items on the list of "welfare programs" are dubious; Pell Grants, for example, are not welfare, they are scholarships. Even so, it is clear that there is a great deal of funding available, much of which will need to be redirected. Given our present finances, a strategy that redirects at least some present domestic spending, "together with better collection of parental support payments will be more effective than our present course. But let us be clear:

Parental support is a statement of social value, much more than a Federal deficit-reduction measure.

That is my opening statement. My distinguished chairman has arrived, and it is very generous of him to join us. Senator Bentsen, would you like to make a statement?

Senator **Bentsen**. I will make my statement brief because I see you have some very able witnesses out there who are going to make a major contribution, I think, to the discussion.

Let me say, though, that the series of hearings started by Senator Moynihan today are of deep interest to me, to the committee as a whole, and I think to the nation; and we are fortunate to have as chairman of this subcommittee not only a man of compassion and concern, but a man who has been deeply involved for many, many years in these issues. He has a great wealth of experience to contribute to the discussion that takes place here. Welfare problems are not easy ones to resolve. They are difficult ones to address with equity and yet in a way that the taxpayers' money is wisely used.

We have learned that from the debates of the last two decades; but I do think that this series of hearings under your chairmanship will help us find ways to improve the well-being of the children of this country and, in turn, to strengthen our nation.

Some of these reports and studies that have been published lately have a common theme. There is a strong emphasis on expanding and improving employment and training programs for welfare recipients, on strengthening the Child Support Enforcement Program, on addressing the problems of teenage pregnancies.

You know, Senator Moynihan, one of the aspects of this debate that I have been deeply concerned about and interested in, is the needs of children: teenage pregnancies, prenatal health care, children coming into this world at a great disadvantage, handicapped—situations that often could have been avoided, had we had more enlightened programs in existence.

These are all sound goals and it is going to be our task, assisted by the witnesses coming before us, to try to translate those goals into programs that will work. That would be a difficult challenge any time. It is particularly difficult in a time of fiscal restraint, such as we are in now. There are a number of experiments taking place around the country. We ought to try to learn from those. We ought to try to glean the best from each of them and see if we can put them into national policy.

In the past, this committee has contributed to the welfare of children and families in a very major way by improving the welfare programs that are part of the Social Security Act and, at times, by modifying the Federal Tax Code.

I note that last year's tax bill provided major assistance in this regard by eliminating and reducing the tax burden on low income families and by expanding the earned income tax credit. Those changes were a very significant achievement and made possible by broad agreement on policy goals. This committee has a strong record on which to build.

I am delighted to have someone of Senator Moynihan's capability chairing this subcommittee.

Senator **Moynihan**. Mr. Chairman, may I just note also that during the last Congress, your leadership brought into place a very significant program on teenage pregnancies; and this is the first time we have entered that field, and it was at your behest after many years of pointing to the reality which finally becomes unavoidable.

We have some very distinguished guests who are going to testify now. I hear a familiar voice in the back. Do I hear a voice? Yes, I hear a voice.

After having served under him as Majority Leader for two years, you acquire a certain sensitivity to the sound of Bob Dole. He is on the telephone, and if we can hold up just a moment, I think he will soon join us.

Senator **Bentsen**. Mr. Chairman, I will take advantage of this time for just a moment while we are waiting for Senator Dole to say that, in some of our States, we have some terribly limited programs. It is important that, as we look at the expenditure of funds, we not put caps on funding that are going to keep some of those States from raising the level of participation in these programs that help to improve the well being of children. With that, I defer to you, Mr. Chairman.

Senator **Moynihan**. I thank you. As I mentioned in my opening statement, those of us who recently in watching television encountered the term "syzygy," by which astronomers describe a rare alignment of the sun and the moon and the earth which cause all manner of natural wonders, and with Bob Dole, the Republican leader, coming on our subcommittee as the ranking Republican member, and with the Governors, mayors, and scholars bringing forth remarkably convergent proposals—such as Senator Bentsen's description following mine—we may just have one of those rare alignments that bring about genuine social change. Senator Dole, we very much welcome you here.

Senator **Dole**. I notice that our colleagues are waiting to testify, and I would just say very briefly, and I would ask that my statement be made a part of the record.

Senator **Moynihan**. Without objection.

Senator **Dole**. I am certainly honored to be on this subcommittee, and I can think of no one on either side of the aisle better equipped to chair this subcommittee than my good friend from New York, Senator Moynihan; and I think there may be a way to do something. I think that if we approach it in the beginning, at least as we should, in a totally nonpartisan way, there are some difficult—and I listened to Senator Bentsen while I was on the phone in the back room—there are some programs we should look at. There are some areas that we perhaps can improve upon.

But certainly, with your being the chairman of this subcommittee, I think we are going to find out very quickly that there are a number of ideas we have heard before, and maybe we can do it together. As I recall, maybe we will be as lucky in this as we were in the Social Security package in 1983. I recall a chance meeting the two of us had on the Senate floor. The Commission was about to expire, and we agreed that that should not happen. We ought to do something.

There ought to be some way to put together a Social Security reform package because, if the Commission expired, it was all over. And I think, based on that, as I recall, we had a number of very quick meetings. The White House then decided to become an active participant, which they will have to do in this case if it is going to work; and the net result was, in my view, a rather sweeping needed reform in Social Security, and we now have a surplus of some $30 billion.

So, it did work, and I would say it was the Senator from New York who initiated that little conversation on the floor four years ago. Perhaps we will have the same success as we look at welfare reform. It is not very exciting; it won't make many headlines. As I have said before, the poor don't have political action committees. There won't be anybody lined up here to see how we are going to vote, but I do believe that it is an area that should be addressed and one that I am very pleased to commit myself to.

I could make all sorts of points about the system. There is a lot of debate over the welfare policy; and I would just say that, having been involved with parts of the puzzle, Mr. Chairman, on the Nutrition Subcommittee in actively dealing with the Food Stamps Program and the School Lunch Program, I am ready to give whatever help I can give.

Senator MOYNIHAN. Thank you, Senator Dole.

Senator DOLE. And in my first appearance on this subcommittee, I certainly would not want the record to be silent about how I feel about the chairman of the full committee, Senator Bentsen. Having had the privilege of being chairman of this committee, I know that it is a challenging job; but as I have said publicly, I don't know of anyone on this committee who can do it better than Lloyd Bentsen.

Senator MOYNIHAN. Just so you would know the product of your work, we spoke yesterday to Harry Ballantyne, chief actuary of the Social Security Administration. Those meetings we held 4 years ago took 12 days, January 4 to January 15; and Mr. Ballantyne tells us that, by his present calculations, the Old Age and Survivors Insurance Fund will increase in the monies held each year between now and the year 2034.

Now, to our witnesses. Mr. Dole mentioned the participation of the White House. Dr. Otis Bowen, the Secretary of Health and Human Services, will not be appearing today out of the simple consideration that the President has not given his State of the Union message. I spoke with Secretary Bowen yesterday, and he intends to come before the committee with the Administration's views on an early occasion.

Three good friends are here, our own Senator Daniel J. Evans of the State of Washington, the former governor of that State; my two personal friends, the Honorable Harold E. Ford, of Tennessee, who is Chairman of the House Subcommittee on Public Assistance and Unemployment Compensation, two major titles of the Social Security Act; and my fellow New Yorker, the Honorable Thomas J. Downey, who is associated, I believe, in legislation with Senator Evans.

Senator Evans, you have been patient and attentive, and we welcome you to the committee, sir. Would you please proceed?

STATEMENT OF HON. DANIEL J. EVANS, U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator EVANS. Thank you, Mr. Chairman. In your usual eloquent fashion, you have stated the problems, the potential, and to an engineer, used that rather obscure term "syzygy," I couldn't help but reflect that, as I looked at the three who are represented on that podium, syzygy certainly applies. It is the Sun, the Moon, and the stars; and I won't try to identify which is which. [Laughter.]

But if you just observe that the fermament is before us, and the opportunity to succeed in these efforts is certainly aided by the attention of senior members on both sides in an issue that I think is as important to this Congress as tax reform was to the past Congress. And perhaps we will succeed if our vision and our imagination and our efforts are broadened.

Sometimes, I think we strive too little; we think too small. And under current circumstances, I hope that we take a broader view, keeping in mind that the children are our greatest asset for the next generation, one of the most important responsibilities we have today.

But let me describe briefly if I can the proposal that Congressman Downey and I are leading. We hope that we will have an increasing number of co-sponsors and supporters. I believe it could end up being as broad in dealing with the social policy of this nation; in fact, it could end up being the equivalent on the spending side of tax reform on the revenue side. The Federalism Act of 1986, now 1987, is one which has developed out of a commission cochaired by Governor Robb of Virginia and myself, a distinguished panel representing a wide variety of viewpoints, philsophic, at various governmental levels.

In fact, as I looked at that committee at the beginning, I thought we would have an extraordinarily stimulating discussion, but that there was no hope of ever getting such a diverse group together on a single set of recommendations.

We did come together, however, on a single set of recommendations. They are bold; they are broad; perhaps they are controversial. I had an opportunity yesterday to speak to a major committee of the U.S. Conference of Mayors, and I was defending myself most of the time because there is great skepticism.

But let me, if I can, Mr. Chairman, briefly describe it. It arose first out of the desire to look broadly at the question of federalism, a term usually designed to put people to sleep, just as tax reform is a term that put people to sleep at the very beginning and for the first several years of its efforts. But this commission attempted to sort out responsibilities, and we began by trying to answer the question: What responsibly and legitimately in domestic policies belong at the national level? And which things are really regional, State, or local in nature and ought to be governed primarily at that level?

And the answer to that came down on the side of a fundamental safety net for our people being a national responsibility. It is a shared responsibility now, and that share varies from State to State.

But if I can, I would like to briefly describe the legislation. There are five major components to a broad piece of legislation, and I would keep in mind the words of the chairman. While I will not deal as specifically with children all through this, the opportunities I think are for your desire to thoroughly reform the welfare system as it affects children and would fit very, very well into the broad spectrum of what we are suggesting.

The first would be under Medicaid, and this would be a program that would phase in over a period of 4 or 5 years, so that it wouldn't be so dramatic and so draconian as to cause real disruptions. We would establish more uniform eligibility of benefit standards. In the first year of the proposal, we would expand coverage under Medicaid to all children under 5 years of age, as well as pregnant women living in families with incomes below the poverty line.

Each succeeding year, the age of poor children covered would be increased by 1 year. The Federal commitment would be increased to a 90-percent match; and that sounds ominous, given the nature of our budget deficit, but before you concern yourselves with that too much, let me continue.

By providing medical coverage to all poor children under 5 years of age, we can keep an additional 1 million children healthy, and over a 5-year period, an additional 3.7 million children healthy. Other elements of our proposal would establish more uniform Medicaid standards, providing an additional 662,000 aged, blind, and disabled Americans with Medicaid coverage.

Second, under AFDC, we would establish a national minimum benefit level for AFDC benefits, starting in the second year of the proposal at 50 percent of poverty income levels, which would increase 2 percent each year thereafter. The Federal financial commitment would increase to a 90 percent match with the programs continuing to be administered at the State level. This would again add to benefit those not now covered or those who are horribly inadequately covered.

In a wealthy Nation like the United States, it is a disgrace that a poor family of four, as an example, in one region of the country can receive assistance up to five times as great as a poor family living in another section of the country. After all, to be poor and hungry in New York or California is not much different than being poor and hungry in Mississippi or Maine or Missouri.

As a side note, I would mention, Mr. Chairman, the remarkable demonstration project which is currently proposed by Gov. Booth Gardner in Washington State. It is a State specific program, but I think it has extraordinary potential; and I do not intend at all by suggesting a national standard or uniformity that we veer away from those new ideas within the basic framework, new ideas which—if successful—could be spread to other areas.

The third element of the program—well, one side note, too—we would require all States to join the 26 States that already participate in the AFDC Unemployed Parent Program. Without that program, the current system rewards or encourages the separation of parents who are together in order to achieve or qualify for benefits in those 24 States that do not now have that program.

The third element would be a work and training program for those recipients requiring States to undertake aggressive efforts to develop and operate programs, to encourage and assist recipients through both training, education, and then work efforts.

The fourth element deals with the question of revenue neutrality, which I think is an important concept. It was an important concept in the success of tax reform; I believe it is an important concept, given our current situation in this proposal to fund the increased Federal commitments. Most local community development infrastructure and many personal social service programs would be terminated at the Federal level. State and local governments would replace Federal spending for programs that in a more cost-effective way are responsive to local priorities and local needs.

When you balance these terminations against the increased cost of welfare, you do achieve national revenue neutrality.

The fifth and last element of the program recognizes that national revenue neutrality simply does not flow through to all areas, all regions, all communities of the country. So, there are two systems of fiscal capacity grants, first to those States with low fiscal capacity, grants that would help them provide an adequate level of public service, and then within all States, a system of grants to localities to do essentially the same thing—cushion the impact of these program terminations on communities with limited resources.

Such a targeted program is 300 percent more efficient in mitigating fiscal disparities than the old general revenue sharing and at half the cost. Even with these grants, we must continue to work to balance the Federal, State, and local scales so that no one level of government carries too much of the reform burden.

I think that this program is bold in nature. It certainly encompasses dramatically the fundamental safety net for all citizens of this country, and it focuses directly and explicitly on the problems of our children today and their needs for tomorrow.

I said I was defending myself in the meeting of the U.S. Conference of Mayors. They have great concern, and I think understandable concern, that if they were to depend on a State/local partnership and substitute for the Federal/local partnership now existing, they might end up being the losers.

Let me suggest, first, the dramatic current trends of the last decade and then what I believe could be done to ensure that they end up better off, even under a fiscally neutral program than they are today. The chart which I have put up on the board over there shows on the red line at the bottom the trends from 1978 through the last 3 fiscal years of the Carter Administration and the 5 years of the Reagan Administration, trends in payments to individuals. These are the AFDC payments, the Medicaid payments, and some similar but smaller programs. It is a rising trend, an indication that we have an expanded need and requirement which is being met at the Federal level; but it also is a reflection that all States and some local communities who share in these welfare responsibilities are also faced with rising costs in their fiscal share.

The green line represents the other governmental programs, the ones that are the Federal responsibility for the most part and the ones that people have depended on so much, community development and other similar programs. There has been a dramatic decline in those programs, and there continues to be at a somewhat slower level.

But that dramatic decline is simply, if you will pardon the expression, Mr. Chairman, "slicing the baloney even thinner" with each passing year, and I fear that if we continue in current trends, soon all local communities will have left is the "butt of the baloney or the salami."

The orange line at the top is a combination of the two, showing that in recent years these total Federal grants and aids have risen; but they have risen almost exclusively because of the rising cost of AFDC and similar programs.

Let me finally then say, Mr. Chairman, what I believe local communities and States as well could gain out of a rather bold program such as we suggest. Even with revenue neutrality, I pointed out that the AFDC, that red line, continues to rise. To the degree that the Federal Government assumes 90 percent of that burden, it removes that continued pressure on State governments; it relieves them of a substantial amount of spending. It offers them the opportunity for States and their local communities to use that bonus, if you will, for the needs and the priorities of each of those States and each of their local communities.

I think it is important to not just say this is a fiscal bonus to the States and you can spend it as you will, and you can ignore local communities if you desire. I think this legislation would have to include something that would ensure that the focus remains on the needs of those local communities and particularly the cities of those States.

And secondly, Mr. Chairman, I am thoroughly convinced that if we eliminated from many of these Federal/local programs the need for Federal management, Federal auditing, Federal inspection—all of the Federal interference, if you will—that guides those programs, that in itself would provide a fiscal bonus and would allow a lot higher percentage of the money that is designated for these programs to flow to the ultimate beneficiaries, rather than get stuck here in Washington, D.C.

Mr. Chairman, I have taken perhaps a little longer than I might have, but I wanted to explain briefly what I think is a dramatic program, one which, if adopted, could be to the extraordinary benefit of those people who need the safety net help of Government wherever they live in this nation and also could be to the extraordinary benefit of the communities and States and localities of this country.

Senator **Moynihan**. Governor, you haven't taken long enough. This is an extraordinary piece of work. Perhaps you will send our appreciation to Governor Robb, with whom you chaired the Committee on Federalism and National Purpose. I know, Senator Dole, that you cannot be with us all day. We are going to have subsequent hearings, though, in Iowa. [Laughter.]

Would you like to speak?

Senator **Dole**. No. I share the comments you made. I think it is an excellent beginning. I admire the work that Senator Evans has done on this, and I will be anxious to hear what Congressman Downey has to say to buttress what you have presented.

Senator **Moynihan**. Could I then just ask two things?

Senator **Evans**. Surely.

Senator **Moynihan**. I do know that you were trying to collect ideas in these hearings and see where there is common ground. For example, in your opening remarks, you commented that there are 12 million children in this country and the AFDC program gets to

7 million of them. You have to go on welfare to get Medicaid. If there is any one clear incentive to stay in that condition, it is the loss of Medicaid that keeps some from going off AFDC.

Senator EVANS. Of course.

Senator MOYNIHAN. That is about as dumb and insensitive as you can get. If you set a task force to work to think of something dumb to do, they could come up with that. A mother has a choice of going to work and getting on with her life, but that choice results in putting her children at risk in any medical emergency that comes along. But you propose to make basic health coverage universal.

Senator EVANS. Yes.

Senator MOYNIHAN. So, one of the first principles of your measure—and Representative Downey will be speaking to this also—is universal care for children for certain fundamentals when they are poor.

Senator EVANS. Absolutely.

Senator MOYNIHAN. It seems to me that if we start there, we will be starting anew. As we have said, the existing welfare program was meant to be a bridge for widows of men who died in the mills until the Survivors Insurance Program. It is just another world today, a world in which only 40 percent of children being born today are going to live out their lives in a two-parent family. We are talking about most Americans. The day will come when these will be most Americans; and a measure will be if this generation has the capacity to see that and act about it.

Senator EVANS. Mr. Chairman, I thoroughly agree, and the adjective is a good one. "Dumb" not only explicitly describes that, but a couple of other things we have done or failed to do at the national level. It is dumb to remove incentives just at a time when someone is attempting to work themselves off of welfare assistance; and by doing so, require them to care about their own family to stay on in order to maintain some of those benefits. It is equally dumb in my view to allow almost half the States of this nation to ignore two-parent families who are poor and in essence require them to separate if either one is to be able to draw some benefits and to aid their own families and their own children.

And that simply doesn't make any sense.

Senator MOYNIHAN. I much agree with that. Governor, thank you very much and thank the members of the Federalism committee for us, if you will.

Senator EVANS. Thank you, Mr. Chairman.

Senator MOYNIHAN. It is now our very great pleasure to hear from Chairman Ford, who is developing legislation of his own; and as I remarked earlier, a very large chunk of the Social Security Act is his responsibility on the House side as the Chairman of the House Subcommittee on Public Assistance and Unemployment Compensation, both of which are titles of Social Security.

I wonder if my good friend would not agree that if we do nothing more in these hearings, we will try to establish that Unemployment Insurance and Aid to Families with Dependent Children are part of the Social Security Act and always were. It began that way. We welcome you, sir, and we welcome your testimony.

[The prepared written statement of Senator Evans follows:]

Federalism Act of 1986 (FACT)

Testimony
to
Finance Subcommittee on Social Security
and Income Maintenance Programs

by
Senator Daniel J. Evans
January 23, 1987

Mr. Chairman, I appreciate the opportunity to discuss with you and the other distinguished Committee members the federalism legislation that Senator Durenberger and I introduced last year in the Senate and Representatives Downey, Frenzel, Rangel, Chandler, Horton, Bennett, Lowry and Sabo introduced in the House.

We plan to reintroduce the federalism legislation in February. The bill has been modified and improved by incorporating suggestions received during the past three months from elected officials and interest groups from throughout the country.

One of the first changes will be to change the name of the legislation. I have found that the quickest way to put people to sleep is to mention the word "federalism."

Our bill is based on recommendations from the Committee on Federalism and National Purpose, which former Virginia Governor Charles Robb and I co-chaired. A further discription of the Committee and its recommendations is offered in the materials that I will submit for the record.

The Federalism Act of 1986 (FACT) should be viewed in 2 ways:

- o It is to the spending side of the Federal budget what tax reform was to the revenue side, and
- o It presents a framework for rational consideration of welfare reform proposals. A principal pillar of that framework is the concept of revenue neutrality. Past welfare reform efforts have all foundered on the rocks of excessive cost.

Each of the welfare reform initiatives floated by administrations since President Johnson have achieved piecemeal success in Congress. In fact, President Carter's administration is significant because his was the first major welfare reform plan to win a congressional hearing. Certainly, there have been philosophical objections to previous welfare reform efforts. However, I believe the real Achilles heel each time was cost.

REVIEW OF LEGISLATION

Let me briefly describe the 5 major legislative components of FACT. But before I proceed let me make clear that we consider all elements of FACT open to change with one unalterable condition -- fiscal neutrality. This provides the guiding light for the gradual implementation of this legislation.

1. Under Medicaid, we would establish more uniform eligibility and benefits standards. In the first year of the proposal, we would expand coverage to all children under 5 years of age as well as pregnant women living in families with incomes below the poverty line. Each succeeding year the age of poor children covered will increase by one year. The federal commitment would be increased to a 90-percent match.

   -- By providing medical coverage to all poor children under 5 years of age, we can keep an additional 1 million children healthy and over a 5-year period an additional 3.7 million. Other elements of our proposal would establish more uniform Medicaid standards, providing an additional 662,000 aged, blind and disabled Americans Medicaid coverage.

2. Under AFDC, we would establish a national minimum benefit level for AFDC benefits starting in the second year of the proposal at 50-percent of poverty income levels, which would increase 2-percent each year thereafter. The federal financial commitment would increase to a 90-percent match. Furthermore, the program would continue to be administered at the state level.

   -- By 1992, AFDC benefits will flow to 600,000 new beneficiaries (monthly average caseload) and will increase currently inadequate benefits for an additional 2.5 million in 27 states. In a wealthy nation like ours, it is a disgrace that a poor family of four in one region of the country can receive assistance up to five times as great as a poor family in another region. After all, to be poor and hungry in New York or California is not much different than being poor and hungry in Mississippi, Maine, or Missouri.

   As a side note, I want to mention the demonstration project currently proposed by Governor Booth Gardner of Washington State. Many welfare advocacy groups fear state-specific proposals such as this because they fear it will draw away from efforts to provide national uniformity. Such views will ensure we follow in the footsteps of past administrations and miss the opportunity for real reform.

Washington State ranks number eight nationally in the level of benefits offered to the needy. Governor Gardner's new proposal would make a good system better and do an even more effective job of moving its poverty population into jobs. I believe that national standards and such a demonstration project are totally consistent and, in fact, complement each other.

Looking back at FACT, it would also require all states to join the 26 states that already participate in the AFDC-Unemployed Parent Program. Without the AFDC-UP Program, the current AFDC system encourages the separation of parents in order to qualify for benefits -- a policy that is antifamily and must be changed.

3. Work/Training Program for AFDC Recipients -- Before these AFDC reforms are implemented, FACT requires states to undertake aggressive efforts to develop and operate a program to encourage and assist AFDC recipients to prepare for, seek, and accept work.

   This work/training program has a first year funding level of $500 million increasing by $100 million per year and capped at $1 billion. It emphasizes state flexibility to ensure that programs are developed that are unique to a single state's needs, such as authorizations to offer necessary support services and discontinue benefits if work and/or training opportunities are not accepted.

4. Program Terminations -- To fund these increased Federal commitments, most local community development, infrastructure and many personal social service programs would be terminated at the Federal level. State and local governments could replace Federal spending for programs that are more cost-effective and responsive to local priorities.

   When these program terminations are balanced against the increased Federal role in Medicaid and AFDC, the result is a fiscally neutral legislative package. Yet, the specific combination of program terminations is not carved in stone.

   In a sense, what we are attempting to do rationally and comprehensively is already happening; albeit it in haphazard fashion. Since 1978, Federal grants-in-aid to state and local governments have declined 36 percent ($75.7 billion in 1978 to $48.4 billion in 1986 (constant '82 dollars). During the same period, federal payments to individuals for AFDC, Medicaid, and related programs have increased 31 percent ($34 billion in 1978 to $44.6 billion in 1986). These trends are likely to continue. We are attempting to direct these random rivers of change into coherent, defined channels.

5. Fiscal Capacity Grants -- Integral to this federalism proposal are fiscal capacity grants targeted to those states and localities with very low fiscal capacity. Those states with low fiscal capacity would receive grants that would help them provide an adequate level of public services. Furthermore, localities would be allocated grants to cushion the impact of program terminations on communities with limited resources. Such a targeted program is 300 percent more efficient in mitigating fiscal disparities than the old General Revenue Sharing, at one-half the cost.

   Even with these grants, we must continue to work to balance the Federal-state-local scale so that no one level of government carries too much of the reform burden. To do so, we must continue to explore changes to the legislation. Already, we plan to remove low-income housing from the list of terminated programs. Furthermore, we plan to take out the long-term care component of the package -- not that we don't care, just because we're tackling enough already. Other changes may include:

   o Further changes to the combination of program terminations;

   o More narrowly targeted fiscal capacity grants to local jurisdictions; and

   o Require a pass-through to local governments of a portion of the budget relief states would receive from a reduced Medicaid and AFDC financing burden.

It is not the intent of this legislation to sever the link between the Federal and local governments, as some may suggest. It is, however, an attempt to create an environment in which governments at all levels work smarter and work better together. All should view this proposal not just as a challenge to reinvigorate the Federal-state partnership, but as a challenge to states and local governments to reinvigorate their relationship as well. This will leave the Federal Government to perform what it does best -- helping people rather than places.

With our Nation celebrating the bicentennial of the Constitution, I can think of no better birthday present than to take a hard look at how we can improve our system of government.

THE FEDERALISM ACT OF 1986*

The Act would redirect billions of dollars in federal spending. By balancing greater federal responsibility in some areas of policy and program terminations in other areas, it would be fiscally neutral at the federal level. Its purposes are:

- To create a more rational division of labor among levels of government -- by reducing the number of shared intergovernmental programs.

- To create more uniform eligibility standards and benefit levels for the AFDC and Medicaid programs by:
  - -- establishing a national minimum benefit level for AFDC that would be 90 percent financed by the federal government and would increase over time.
  - -- increasing gradually the percentage of federal funding for Medicaid up to the 90 percent level.
  - -- establishing more uniform eligibility standards for both programs, including mandating the AFDC-UP program.

- To place greater responsibility for dealing with community development, local infrastructure and other localized concerns at the state and local level -- by terminating federal programs such as EDA, Appalachian Regional Commission, CDBG, UDAG, Mass Transit, wastewater treatment, and vocational education.

- To address the special problems of maternal and child health -- by making all pregnant women and children under 5 living below the poverty line categorically eligible for Medicaid -- and gradually increasing the age of eligibility for all poor children.

- To convert welfare programs into jobs programs -- by greatly increasing federal funding to the states for "work-welfare" programs and requiring that all AFDC beneficiaries accept training or placement assistance and employment, if offered.

- To cushion the effects of terminating federal programs on local governments -- by providing general revenue supplements to those localities with the lowest levels of fiscal capacity.

- To address the problem of differences in fiscal capacity among the states -- by establishing a system of general revenue supplements to the dozen or more states with the lowest levels of fiscal capacity.

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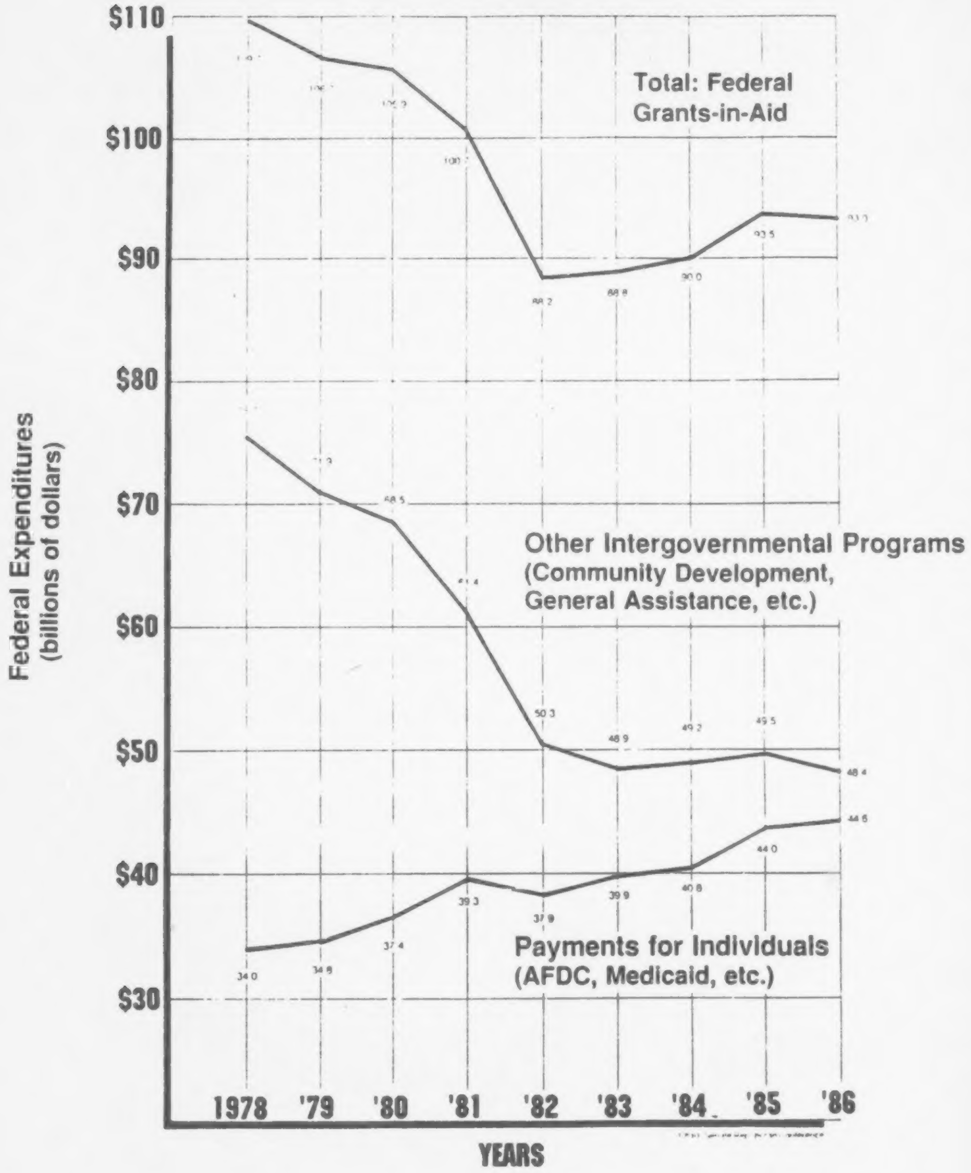
* modified: does not terminate low-income housing programs and does not include proposal to reform long-term care.

FEDERAL GRANTS-IN-AID TO STATE AND LOCAL GOVERNMENTS

(1982 DOLLARS)



A logical reform proposal for federal aid

1075

Paul E. Peterson, Barry G. Rabe and Kenneth K. Wong
Christian Science Monitor

THE federal government should help people rather than places. To help achieve this objective, Washington Sen. Dan Evans and former Virginia Gov. Charles Robb, with the backing of a bipartisan group of legislators, have proposed a sweeping reform.

It would phase out federal funds for local economic development and selected transportation, education, community-service, and block grants to states and localities. The federal funds saved would be used to expand programs serving the poor, the sick, and the disadvantaged.

These proposals constitute the most thoughtful, coherent reform of the federal system since the emergence of the modern system of federal grants.

The national government would divest itself of numerous minor responsibilities and regulations better left to state and local officials. At the same time, the national government would relieve the states of a set of redistributive responsibilities that they are ill equipped to perform.

The reform proposals take into account the fact that states and localities increasingly find themselves in competition with one another for both businesses and prosperous taxpayers. Nearly every city and state seeks economic growth to build its revenue base, employment levels, and property values.

The best way to get it is to provide high-quality community services, such as good schools, roads, parks, and police protection, needed by businesses and citizens alike.

Some states and communities also find it to their advantage to design tax incentives, vocational-training programs, and other policies in ways that entice particular companies and industries.

Since states and localities have such a strong economic and political interest in providing good services and in other ways promoting their own development, there is much to be said for keeping Washington out of the action.

Sen. Dan Evans

The one kind of general assistance to states and localities desirable in principle is funds directed to the very poorest parts of the United States. This kind of federal aid could help equalize state and local revenues. The Evans-Robb measure contains such "fiscal capacity" grants that target federal funds to needy areas.

It will be difficult, however, to win political acceptance for this part of their proposal. When Congress hands out aid to states and localities, it comes under great political pressure from its membership to make sure that nearly every state and congressional district gets something close to its "fair share."

As a result, the money is dispersed so broadly that areas of genuine need get little more than prosperous communities do. Studies of both revenue sharing and other federal grants consistently show that, up to now, these grants have done very little to shift resources from wealthier to poorer parts of the country.

If such grants cannot be restricted to the neediest areas, it might be better to eliminate these programs altogether. The federal funds saved could then be used to establish national welfare benefit and eligibility standards, national assumption of Medicaid policies, and expanded Medicaid eligibility for children and pregnant women. All are major components of the Evans-Robb proposal.

There are several reasons to assign the national government major fiscal responsibility for social-welfare programs.

- First and foremost, the amount and quality of welfare help that one receives should depend on need, not location.

Currently, California pays $698 per month to a family of four, while Mississippi pays only $144 per month to a comparable family. In an increasingly integrated economy and society in which differences in per capita personal income among states have steadily declined, this disparity in welfare benefits is a national scandal.

- States and localities operate in an increasingly competitive context that makes aid to the poor ever more costly for them.

It is not surprising, therefore, that the beneficiaries of the recent resurgence of state governments have not included poor families; between 1975 and 1986, welfare benefits for a family of four declined in real dollars by 27 percent.

- Differences in services to the poor discourage low-income individuals and families from moving to where the jobs are.

A generation ago, welfare benefits were greater in the industrial belt, where unskilled jobs in manufacturing could be found.

Former Gov. Charles Robb

Today the welfare benefits are still higher in these states, but most new jobs are now to be found in the Sunbelt. Hence our social-welfare policies discourage those without work from relocating in places where work is most plentiful.

- Paul E. Peterson, Barry G. Rabe and Kenneth K. Wong are authors of "When Federalism Works," published by the Brookings Institution

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FEDERALISM REFORM Seattle Times 1/5/87

W75

Cities attacking the wrong target

Neal R. Peirce/Syndicated columnist

WASHINGTON — The city-and-neighborhood lobby rarely resorts to such extreme language. The National League of Cities alerts its members to a "new threat to the federal-local partnership": legislation that would terminate "every remaining city and town program" with potentially "devastating" effects.

The National Neighborhood Coalition sees a "divide and conquer" effort to "pit housing and community-development advocates against health and welfare advocates, as both fight over the shrinking federal pie."

You'd think some cold-hearted Reagan administration federalism formula was the cause of all this. Far from it. What the city and neighborhood people find so dreadful is the swap of functions proposed by the moderate Committee on Federalism and the National Purpose, headed by ex-Gov. and Sen. Dan Evans, R-Wash., and ex-Virginia Gov. Charles Robb (D).

The idea is that states have a spotty, sometimes scandalously poor, record in delivering welfare and medical care to the poor, so the federal government ought to foot 90 percent of welfare and Medicaid costs. In return, the states and local governments would assume total responsibility for a broad range of economic and community-development activities.

A team of Brookings Institution federalism scholars praises the Evans-Robb proposals — now incorporated in legislation sponsored by Evans, Sen. David Durenberger, R-Minn., and Rep. Thomas Downey, D-N.Y. — as "the most thoughtful, coherent reform of the federal system since the emergence of the modern system of federal grants" *(Seattle Times, Dec. 31).*

The city and neighborhood groups seem to be condemning legislation that would address many federal-system defects. The bill would provide a system of federal-equalization grants to states that lack the taxable wealth to provide service that matches national norms — the Maines, Mississippis and Idahos of America.

And for poor cities or counties, even those within rich states, the bill includes a separate system of fiscal-equalization grants. Its sponsors say it would be 300 percent more efficient in reducing fiscal disparities than the just-abolished general revenue-sharing system, but at half the cost.

The Evans-Robb measure tries to aim at the grinding poverty that darkens the national economic future, imperils millions of children, and hobbles the growth plans of many localities. It would raise the combined welfare and food-stamp benefit level to 50 percent of the poverty level immediately, and 62 percent by 1994.

The "father in the house" welfare-ineligibility rule, which splinters families and injures kids worst of all, would be outlawed. There'd be a firm welfare work rule, and training.

On the medical side, Medicaid coverage would be extended to all poor children under 5, keeping an additional 1.3 million children healthy. Some 286,000 more poor pregnant women would be covered by Medicaid. For local governments, the positive long-term spinoffs of these proposals, in healthier, economically less dependent citizens, could be enormous.

That's why it's perplexing to see San Antonio's Mayor Henry Cisneros, outgoing president of the National League of Cities, suggest that the Evans-Robb proposals might be "a very cynical plot to get the federal government out of the domestic business, other than welfare, completely, and do it at the expense of the cities with the states gladly being part of this bargain."

> ***'The Evans-Robb measure tries to aim at the grinding poverty that darkens the national economic future, imperils millions of children, and hobbles the growth plans of many localities.'***

It is true that some of the cities' most prized programs, including community-development block grants (CDBG), urban-development action grants (UDAG), new housing authorizations, and mass-transit aids, would probably be killed.

But Evans stresses that he and his co-sponsors expect to be "extremely responsive and flexible" in negotiating, with states and localities, which programs would be eliminated to equal the federal government's added welfare and Medicaid costs.

Apparently, Evans' only unalterable condition is that the big swap of functions be "revenue neutral" for the federal budget. Revenue neutrality, he believes, was the secret to passage of tax reform — a bill many thought was impassable, as is federalism reform today.

If they'll make the effort, Evans says, cities can get much stronger support from states, especially governors, than they expect. Cities would have a strong case to lobby their states for a new generation of community-development programs better tailored to local conditions than are federal programs.

In any event, notes co-sponsor Downey, relying on present federal grants is a dangerous course for cities in budget-tight times. He predicts that programs such as UDAG and mass transit "are going to be hacked to ever smaller pieces over the next couple of years anyway."

Evans uses another butchering analogy and warns cities that if they "dig in their heels" and stop a swap, they'll see their programs diminished by salami-like cuts until "they don't have much more than the butt."

There is a kind of irony to the hue and cry raised by the National League of Cities. It tried to bury the Evans-Robb proposal but instead gave it more publicity. Now the real issues can be addressed:

Is it more important that cities, rich and poor alike, get budget backup from Uncle Sam? Or that their most disadvantaged constituents receive minimal welfare and medical care?

And now that Congress has killed general revenue sharing anyway, how important is it to retain — except for cities in the most distress — a direct federal "partnership"? Shouldn't the spotlight shift to the states, to insist that they attend to the needs of their distressed places, both urban and rural?

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STATEMENT OF HON. HAROLD E. FORD, U.S. REPRESENTATIVE, CHAIRMAN, HOUSE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

Congressman **Ford**. Thank you very much, Mr. Chairman and Senator Dole. There has been a great deal of discussion these days about welfare reform, and I come here before you today, Mr. Chairman, and your subcommittee to let you know that I am very delighted to speak and to testify before your committee today.

It is the intent of the Subcommittee on Public Assistance and Unemployment Compensation to work very closely with you and other members of the Senate and other members of your committee, as well as the full body, to report some kind of welfare reform legislation that would be good and sound for the poor of this Nation. I have had an opportunity to work with you, Mr. Chairman, with Senator Dole and others in the past three or four years as I have tried to chair the Welfare Committee on the House side; and we have every intent to work closely with you to bring legislation that would not, in fact, break the Federal Government, but at the same time, hopefully, make those who are recipients today independent of the system.

I do not have a bill introduced in the hopper on the House side as of yet. We have tried in every way to wait on the Domestic Policy Council in the Administration. We would like to see what the President will say in his State of the Union message next week. And hopefully, we will have legislation drawn within the next three to four weeks, and hopefully we will have it before the subcommittee for a markup session.

Senator **Moynihan**. Mr. Chairman, forgive me. That was my mistake. You then are approaching the matter much as we are here.

Congressman **Ford**. That is correct, Mr. Chairman, and I would like to personally extend an invitation one day next week or the following week for you to come and testify once again before our subcommittee.

Senator **Moynihan**. I would be honored.

Congressman **Ford**. It is the intent to hear from additional witnesses. We know that several organizations have already fashioned a welfare reform package. We are in the process of looking at all of the proposals that have been fashioned, and it is the intent of the subcommittee to take all of that into consideration and draft a bill in the near future.

You know, much of this interest began with President Reagan's State of the Union message last year, Mr. Chairman, when he instructed the Domestic Policy Staff to study the welfare system; but the convening of this session today and the activities of the past year are an indication that the interest in welfare reform goes beyond that of the White House and the President. And I feel a consensus emerging across party lines about what to do to solve the problem of welfare dependency. We may be ready to quit blaming the welfare system for all of the problems faced by the poor and instead use the system to help solve the problems.

Welfare reform can mean many things to those recipients on the rolls. Yet, in its broadest sense, it will require a significant new investment of energy as well as resources. It will mean expanded health care coverage for the poor, especially for working families. It will mean added resources for WIC and other nutrition programs. It will mean a renewed commitment to our schools, a restoration of academic excellence, and an intensive effort to provide a quality education to our poorest children and adults.

It will mean taking steps to solve this country's growing homeless problem, not through short-term band-aids like temporary shelters, but by developing a sensible national housing policy that makes decent housing affordable to poor families.

Finally, and most importantly, it will mean making significant improvements in our Nation's basic cash welfare system, Aid to Families with Dependent Children. Significant improvements in AFDC have eluded us for many years, and we cannot let that deter us, however, from creating new opportunities for welfare families to be self-reliant. During the past year, my subcommittee, which has jurisdiction over many of the Federal welfare programs including AFDC and Child Support Enforcement, has devoted no less than six public sessions with more than 100 witnesses on work, education, and training opportunities for welfare recipients.

We began this series of hearings out of concern that for some welfare recipients welfare can be a dead end, offering little hope for a better future. We know that in the past six years, AFDC benefits have declined, in real terms by 33 percent. We also know that there is a core group of welfare recipients, and no one is sure of how many, that have relied on AFDC for many years; and we are especially concerned about the children in these families.

Unless we do something now to reverse these trends, welfare dependency will continue to grow. And our hearings confirmed what I already suspected; education, training, and work programs must figure into the solution to the problems faced by these Americans. They will not cure all of the social ills, but if well-designed, they can make the difference in the lives of these families by helping them to avoid welfare dependency.

Over the next several months, Mr. Chairman, the welfare reform debate will intensify. We will be consumed with discussions of strategy. We will determine what is politically feasible and what we can afford. We will worry about packaging welfare reform proposals and the timing for action on both sides, here in the Senate as well as in the House.

Today, I want to forget strategy and what is doable and, instead, talk about the general principles of welfare reform and how we should adhere to them. We have now at this time to talk about the substance of what we want to do and who we want to help and why. It is only when we are clear about these things that the real progress will be made on welfare reform.

Now, let me turn to my view on the basics for a welfare reform package. First—and I agree with Mr. Evans who testified earlier—let's talk about the two-parent family with one unemployed parent. We should promote family stability and make education and training and work the cornerstone of a welfare reform package. Fathers should not be forced to leave their home, as they must in half of the States today, in order for the family to quality for AFDC. This is not a new idea. We have had legislation before both bodies and passed both bodies and even a conference in order to report the two-parent family provision out.

So, this is nothing new, but it is time that we correct this inequity.

Second, we should help those least able to help themselves. Past efforts to help the disadvantaged to find work have been criticized for taking the easy way out by training and finding jobs for those who probably would have found one on their own.

It is time to bite the bullet. We must invest our resources in the hard-to-employ, those with little work experience, little education, and very little training. Young mothers and long-term recipients ought to be first in line to receive these services.

Third, education is essential to success in the work place. Before many welfare recipients, especially teenage mothers, can be expected to work, they need remedial education or help in completing high school as well as training. We must be prepared to invest now in the basic literacy of these families. It is an investment that will produce high yields in the future.

Fourth, we must work with the whole family and not just the parents. We are offering vocational education and training to the parents. We also need to help them in parenting and with their skills at home. And we should intensify with the children and intervene in a way that we know we can protect the children, since we happen to also know that 7 million children are on AFDC, two-thirds of the entire AFDC rolls.

Fifth, we must make work more rewarding than welfare and ease the transition to work. If we expect the mother with children to work, then we must be prepared to provide her with the support she needs to do so. Day care, transportation, health coverage, and financial incentives must be an integral part of that package.

Sixth, the financing of the program must recognize that the Federal Government reaps more of the savings when a family leaves welfare than do State and local governments. Consequently, the Federal Government should be prepared to bear a greater share of the cost of the program.

Seventh, we must coordinate conflicting Federal policies. The majority of AFDC recipients also receive food stamps; yet there are large variations in program rules. These variations are unnecessary. By working to remove many of the inequities, we can reduce confusion, save money, and streamline both programs.

Eighth, we must work to improve inadequate benefit levels. Although education, training, and work programs can reduce the need for cash welfare programs, they will not eliminate it. For those who remain on AFDC, including those who need AFDC as a supplement to low wages, benefit levels must be improved. In 22 States today, combined AFDC and food stamp benefits are less than 70 percent of the poverty rate. As I noted earlier, AFDC benefits have declined in real terms, not increased as they should have; and obviously, repairs need to be made to the safety net that is supposed to protect the poorest of the poor of this nation.

And finally, Mr. Chairman, and most importantly, we can't expect to eliminate welfare dependency overnight. It will take time and a sustained commitment. We must be prepared to make the commitment and not waiver from it, even if it means increased costs in the short run in a social program.

Our welfare system should provide families with more than just subsistence. It should provide the opportunity and incentive to be more self-sufficient. All too often, it offers too little hope; and ironically, instead of solving this problem, we have been forced over the past years to consider only how to cut in certain programs, and this is one of the areas—protecting the children of this country—we have seen those programs cut, and we have not opened the door to place them into the mainstream.

While we are all concerned about cutting the Federal deficit, we must also recognize that some of the important reforms of our welfare system, such as training and education for welfare recipients and day care for their children, will cost more money than we are now ready to spend.

If we are serious, however, about breaking the cycle of poverty, we must be ready to make the necessary investment. And I would hope, Mr. Chairman, that we could look at it and look at the revenue side and hopefully come back with a tight program on revenue to bring about an innovative program that will reflect on the children of this nation and protect the poorest of the poor in our country. Thank you, Mr. Chairman.

Senator MOYNIHAN. Mr. Chairman, thank you for extraordinary testimony. Senator Dole?

Senator DOLE. I want to compliment Congressman Ford. He knows how easy we are and, on that basis, I think he thought we could get together. He always wins.

Senator MOYNIHAN. He never says he wins; he just wins. [Laughter.]

Senator DOLE. That means he does a good job.

Congressman FORD. But we have lost the two-parent family program for so many years now, Senator. And I know you were a strong supporter of the two-parent family in the last Congress, and we are very appreciative of that.

I would hope that the unemployed two-parent family component would not have to wait on a welfare reform package. I would hope that we could move that legislation from both committees. Mr. Chairman, hopefully we can talk on that and bring a separate bill out. I think the will of both Houses at the present time would prevail in passing the unemployed parent piece. It is needed before we can package a welfare reform package because, when we look at the cost of the program—the unemployed parent program—I think for the Federal Government over a 3-year period—or a 2-year period was to the tune of about $300 million. And hopefully, we can move the unemployed parent program for the States that have not opted into the program.

Senator BENTSEN. What is the cost of that?

Congressman FORD. $370 million over a 3-year period; that was last year, but it is really a 2-year period for the program. Other than that, I think there are 24 States that have not opted into the program—or 26 States have not opted in; oh, I think Oregon opted back in. So, it is about half of the States that have not opted into the program.

Hopefully, Mr. Chairman, we can bring that component onto both the House and the Senate floors.

Senator MOYNIHAN. Noted. Also, as I said, we are trying to find the common ground. I do know that you make a point of health coverage for all poor children. Governor Evans supports such coverage as well. There is a commonality right there.

I noted that you said something which I think will be reiterated by a very distinguished scholar representing the Governor of New York later on. Mary Jo Bane has used the term with respect to welfare recipients "divide and conquer," which is to say to look for those people who are particularly vulnerable and needful and work with them and provide them with special assistance. At the same time, there is a separate group of people who are not nearly so badly off, who need nothing more than temporary, short-term assistance to get back on their feet. They need temporary public assistance just as many need unemployment insurance between jobs. Generally as a result of divorce, more than anything else, these individuals are temporarily dependent, but they then get on with their lives. But some are in a different situation, and you readily recognize that as a group they need special care.

I think you referred to them as the "core group"; but from your extensive hearings on the House side, do you reach the judgment that many have that, while this is a very needful group, it is also a very small one?

Congressman FORD. That is so.

Senator MOYNIHAN. At most 20 to 25 percent?

Congressman FORD. That is true; and I think, in hearing from the 100 witnesses that have testified before the subcommittee in the past 18 months, Mr. Chairman, it is a very small group, but it is that group that we need to break the cycle with. We cannot afford to see the dependency on welfare passed from one generation to another.

We know that 50 percent of the recipients that moved onto welfare move off within the first 2 years, and half of that group moved off within the first 12 months.

Senator MOYNIHAN. Would you say that again? Fifty percent of AFDC recipients move off in a 2-year period of time?

Congressman FORD. In a 2-year period, yes; and half of that group moves off within the first year.

Senator MOYNIHAN. For this group, then, AFDC is really income insurance, much like unemployment compensation?

Congressman FORD. That is correct.

Senator MOYNIHAN. And I should think that characteristic family has had a divorce.

Congressman FORD. And there is a core group that stays on on the average of about 9 years—and it might not be 9 consecutive years, but about 9 years—and that is that core group that we are going to have to give some special attention to.

Senator MOYNIHAN. It is not the majority, but it is where the greatest effort needs to be made.

Congressman FORD. That is correct.

Senator MOYNIHAN. And so, we shouldn't get overwhelmed. My God, there are 7 million children; but there are a very small number, a manageable number, that need this intensive effort. Isn't that what you are finding?

Congressman FORD. That is what I am finding. Right. I guess priority one would be two-thirds of the recipients, and those are children. About 12 to 13 million children today live below the poverty thresholds. Knowing that we have to focus on the majority of the children of the recipients, we have to protect the children. And if we protect the children, it might be that we can avoid some of the dependency on welfare when you move from that one generation to the next, if we go out to the core group as well.

Senator MOYNIHAN. Isn't it also the case—and I think, Senator Dole, that this is something that should be recorded—we are learning more about the subject? There used to be a sort of undifferentiated number out there—7 million children. You would say, well, there are children and there are children. Some are in a very temporary state of dependency; others are in a long-term state and in danger of themselves becoming dependent adults.

So, you say that it is not an overwhelming job; it is just an overwhelmingly important one. That is a distinction that I think we can make.

Congressman FORD. That is a distinction we can make.

Senator MOYNIHAN. Mr. Ford, we are very honored to hear from you, and are most grateful that you managed to get here despite the snow. We now know exactly how you plan to proceed. You and Senator Dole have worked together a great deal in the past, and I suspect we shall be doing so in the very near future.

We do thank you very much for staying in town. We expect you need to get back to Tennessee, but it is very thoughtful of you to be here.

Congressman FORD. Thank you very much, Mr. Chairman. I might add that the next witness, Mr. Downey from New York, from your own home State, is also a member of this subcommittee, and we are going to be working very closely together. And Tom, I appreciate your testifying before this committee today; and Tom naturally has his own bill in the hopper on the House side. And I think there are a lot of provisions in the bill that Senator Evans has already discussed and that my colleague, Congressman Downey, will discuss as the next witness here.

And I am certain that we can bring a package to the full committee, and hopefully we will be able to bring one to the House floor. Thank you.

Senator MOYNIHAN. Representative Downey—Tom—would you come forward, sir?

Senator DOLE. I wanted to say that I am going to have to leave, and it has nothing to do with airplanes.

Congressman DOWNEY. Senator, I just wanted to say before you go that I found it a tremendously envigorating experience in 1984 to work with you on the trade bill where we were successful, and I am delighted to see that you are interested—and I know from your past involvement in food stamps—that you are concerned and compassionate toward the poor.

And I hope that we can be allies because I have learned from bitter experience that you are a formidable foe on the other side; and I realize this has nothing to do with airplanes. I might mention as an aside we may be allies in that as well, as the Air Force continues on its own merry way, in the future. But as I said, it is a delight to see you, and I know that the prestige that you bring to this task is much needed.

Senator **MOYNIHAN**. And it is better to be allies.

Congressman **DOWNEY**. I might also add that to watch the collegiality here is also refreshing from my perspective because in the House we don't normally talk to the members of the other Party, and it is nice to see that doesn't happen over here.

Senator **DOLE**. We don't talk to members of our own Party, but we do talk to members of the other party. [Laughter.]

[The prepared written statement of Congressman Ford follows:]

January 23, 1987

Statement of
The Honorable Harold Ford (D.,Tenn.), Chairman
Subcommittee on Public Assistance and Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives
before the Committee on Finance
U.S. Senate

There is a great deal of discussion these days about welfare reform. Much of this interest began with President Reagan's State of the Union message last year in which he instructed his domestic policy staff to study the welfare system. But the convening of this hearing today and the activities of the past year are an indication that the interest in welfare reform goes well beyond the President. I see a consensus emerging -- across party lines -- about what to do to solve the problem of welfare dependency. We may be ready to quit blaming the welfare system for all the problems faced by the poor and instead use the system to help solve those problems.

Welfare reform can mean many things. In its broadest sense it will require a significant new investment of energy and resources. It will mean expanded health care coverage for the poor, especially working families. It will mean added resources for WIC and other nutrition programs. It will mean a renewed commitment to our schools, a restoration of academic excellence and an intensive effort to provide a quality education to our nation's poorest children and adults. It will mean taking steps to solve this country's growing homeless problem, not through short-term bandaids like temporary shelters but by developing a sensible national housing policy that makes decent housing affordable for poor families. Finally -- and most importantly -- it will mean making significant improvements in our nation's basic cash welfare system, Aid to Families with Dependent Children. Significant improvements in AFDC have eluded us for many years; we cannot let that deter us, however, from creating new opportunities for welfare families to be self-reliant.

During the past year, my own Subcommittee, which has jurisdiction over many of our Federal welfare programs including AFDC and Child Support Enforcement, has devoted no less than six hearings to the subject of work, education and training opportunities for welfare recipients.

We began this series of hearings out of concern that for some welfare recipients, welfare can be a dead end, offering little hope for a better future. We know that in the past six years, AFDC benefits have declined, in real terms, by 33 percent.

We also know that there is a core group of welfare recipients -- no one is sure how many -- that rely on AFDC for many years. We are especially concerned about the children in these families. Unless we do something now to reverse these trends, welfare dependency will continue to grow.

Our hearings confirmed what I already suspected: education, training and work programs must figure into the solution to the problems faced by these Americans. They will not cure all of society's ills, but if well designed, they can make a difference in the lives of these families by helping them to avoid welfare dependence.

Over the next several months, the welfare reform debate will intensify. We will be consumed with discussions of "strategy." We will determine what is politically feasible and what we can afford. We will worry about "packaging" welfare reform proposals and the timing for action. Today, I want to forget strategy and what is "doable" and instead talk about the general principles that our welfare reform effort should adhere to. We must use the time we have now to talk about the substance of what we want to do, who we want to help and why. It is only when we are clear about these things that real progress can be made.

Now, let me turn to my view of the basics:

FIRST, we should promote family stability and make education, training and work the cornerstone of real welfare reform. Fathers should not be forced to leave the home, as they must in half the States, in order for the family to qualify for AFDC. This is not a new idea. It is a proposal that has been discussed at length over the past several years. It is time to correct the inequity.

SECOND, we should help those least able to help themselves. Past efforts to help the disadvantaged to find work have been criticized for taking the easy way out by training and finding jobs for those who probably would have found one on their own. It's time to bite the bullet. We must invest our resources in the hard to employ -- those with little work experience, education or training. Young mothers and long-term recipients ought to be first in line for these services.

THIRD, education is essential to success in the workplace. Before many welfare recipients -- especially teenage mothers -- can be expected to work, they need remedial education or help in completing high school and training. We must be prepared to invest now in the basic literacy of these families. It is an investment that will produce high yields in the future.

FOURTH, we must work with the whole family, not just the parents. While we are offering vocational training and education to the parents, we may also need to help them with parenting skills. And, we should intervene with the children, if we want to break the cycle of poverty.

FIFTH, we must make work more rewarding than welfare and ease the transition to work. If we expect a mother with children to work, then we must be prepared to provide her with the support she needs to do so. Day care, transportation, health coverage, and financial incentives must be an integral part of the package.

SIXTH, the financing of the program must recognize that the Federal government reaps more of the savings when a family leaves welfare than do State and local governments. Consequently, the Federal government should be prepared to bear a greater share of the cost of the program.

SEVENTH, we must coordinate conflicting Federal policies. The majority of AFDC recipients also receive food stamps yet there are large variations in program rules. These variations are unnecessary. By working to remove many of the inequities, we can reduce confusion, save money and streamline both programs.

EIGHTH, we must work to improve inadequate benefit levels. Although education, training and work programs can reduce the need for cash welfare programs, they will not eliminate it. For those who remain on AFDC -- including those who need AFDC as a supplement to low wages -- benefit levels must be improved. In 22 States today, combined AFDC and food stamp benefits are less than 70 percent of poverty. As I noted earlier, AFDC benefits have declined in real terms, not increased as they should have. Obviously, repairs need to be made to our safety net.

FINALLY, and most importantly, we can't expect to eliminate welfare dependency overnight. It will take time and a sustained commitment. We must be prepared to make that commitment and not waiver from it, even if it means increased costs in the short run.

Our welfare system should provide families with more than just subsistence. It should provide the opportunity and incentive to become self-sufficient. All too often, it offers no such hope. Ironically, instead of solving this problem, we have been forced over the past few years to consider only how to cut Federal spending for poverty programs. While we are all concerned about cutting the deficit, we must also recognize that some of the important reforms of our welfare system-- such as training and education for welfare recipients and day care for their children -- will cost more money than we are now spending. If we are serious, however, about breaking the cycle of poverty, we must be ready to make the necessary investment.

STATEMENT OF HON. THOMAS J. DOWNEY, U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Congressman DOWNEY. Mr. Chairman, I want to thank you and the subcommittee for giving me this opportunity to testify today. I am not often humble, as I suspect you are aware, but as a student of the chairman's writings—of your writings—on these issues and my colleagues these days, my speaking to you on welfare reform is a little like Pat Robertson explaining the scriptures to God, or the other way around—I am never quite sure.

Twenty years ago we launched a war on poverty in which, you, Mr. Chairman, played a seminole role; and while the battles to lift the elderly out of poverty and to provide health, nutrition, and education benefits to the poor were largely successful in alleviating the suffering of millions of Americans, there are many battles that remain: children, particularly children under 6; female heads of households; the disabled, and 1 out of 10 elderly are easily definable groups in need today.

The question now is how do we, the Federal Government, local government, and State government, meet that need and carry on the war? A move away from the status quo can be frightening and politically difficult for some of us, but the time has come once again for radical thoughts and bold action on the welfare front.

It is simply unconscionable to let so many of our citizens fall through the safety net that is continually pulled out from under the poor. That is why it is so heartening to see so many distinguished Members of Congress, Governors' organizations such as the National Association of State Budget Officers, the National League of Cities, the National Governors Association, and others make welfare reform the priority it needs to be.

We need to lead a two-pronged attack on poverty in America. First, we must reaffirm our commitment to the social contract, whose terms were most recently described in a study by a commission of our own Governor, Mario Cuomo. And I commend it to you, Mr. Chairman, if you have not seen it; it is a superb work on this subject.

Second, we must reinvigorate the relationship between the different levels of government. Government at all levels has obligations to those it represents. In the case of the poor, the Federal Government has a special responsibility to provide jobs, opportunities, health care, day care; and for those demonstrably unable to train for work or find work, a guaranteed minimum standard of living or, as you suggest, a job.

The chairman's former White House colleage, William Saphire, pointed out an important paradox. The need both for national unity and local diversity; the need to establish quality and fairness at the national level and uniqueness and innovation at the local level. It sounds easy, but the conflict built into the paradox has exploded in riots and built unresponsive bureaucracies. With these two considerations, the social contract, the Federal/local paradox, we are left with a practical consideration: How do we get from where we are to where we ought to be?

The legislation that Senator Evans and I introduced late in the last Congress and will soon reintroduce in a revised form in the next one goes a long way toward meeting both of these objectives. It increases the monthly AFDC caseload by 1.1 million people, raises the benefit levels of 4.5 million people in 34 States, makes 5 million children newly eligible for Medicaid, increases Federal expenditures over current services by an estimated $14 billion, and provides $1 billion for the development and operation of programs that put able AFDC recipients to work.

At the same time, the legislation calls for the devolution of many social services, infrastructure, and community development programs. Concerning Saphire's fairness issue, it simply makes no sense whatsoever—as we have discussed and as has been discussed here—for a poor family of three in California to receive benefits of $587 while, just across the border, a poor Nevada family receives less than $300 a month. I don't mean to single out these States.

The example just illustrates that it is demonstrably true that poverty is a national problem, not limited to any jurisdiction or geographic entity. And I suspect that for our State, we could probably draw the border comparisons between ourselves and New Hampshire that would be equally stark in terms of the differences.

The legislation asks a basic question: What level of Government can do which tasks more effectively? Federal resources must be directed in the best way possible. Now, this is more true than ever because the Federal Government simply does not have the money and will not in the foreseeable future to do what it has been doing today.

Cities and States must step into the void resulting from reordered Federal priorities. How much of a void is there left to fill under the legislation I am advocating? Well, the Federal share of State and local revenues will decline only an estimated 1 percent. Compare that with the chart that Senator Evans showed, with more than a 25 percent real decrease in intergovernmental program funding in the past 6 years; and you will see the difference between our innovative and recent budget decisions and those of what has been happening.

There are many people who think that if a Democratic President is elected, if the budget climate changes, if, if, it is time to face some facts. We live with these budget deficits and the fiscal constraints we currently face for as far as the eye can see, to quote a former student of yours. And while I don't have 20/20 vision any more, I can still see pretty well.

What is the message here? Even if the Evans-Downey legislation did not exist, States and localities would have to learn to get along. There is simply no choice. Cleveland is closer to Columbus than Washington, San Francisco closer to Sacramento than Washington, and Chicago is a lot closer to Springfield than Washington. We have all learned to go to Washington in that particular game; and while I regret it, the 2-minute warning is about to sound.

It is time to play the old home game in the State capitol. It is a new game with new rules and new players, but to be frank, it is one that cannot be passed up. The demise of revenue sharing, the direct grants to cities in our legislation on a $2 billion a year permanent basis, this will become much more important.

In some cases, I have been told, these direct targetted grants will be more than equal the dollars received by subsidies in the last year of revenue sharing. And as cities grow more expert in lobbying their own State capitols, there is nothing to stop a city from receiving a healthy portion of the $2 billion grant that go directly to the States.

Now, one thing must be made abundantly clear. The legislation that we have introduced and will remain revenue neutral within the Federal budget context. However, the social contract is not revenue neutral. As we shift the domestic budget more toward income maintenance, we will also shift the station's priorities. That will be a welcome change in my opinion.

Revenue neutrality is necessary at this time in order to get this type of hearing that the proposal, in my opinion, deserves. It is a means to an admirable end, certainly not a scheme to starve those in need.

The bottom line is clear. Regardless of the Evans-Downey legislation, the Federal Government in the next 10 to 20 years will be largely directed out of Washington in the cities and States glance game. It is an inevitability and we in Congress are going to have to come to grips with it. Let us turn what could be a stressing situation into an opportunity to serve the Nation's poor.

Mr. Chairman, you were talking briefly before in a colloquy with Chairman Ford about the nature of who is poor. The fact is that there are 33 million poor Americans, and the distinct minority of them are the chronically poor that live in cities or the homeless. We tend to think that this problem is somehow insurmountable.

As you correctly pointed out, AFDC tends to be just a transition for some people; but we have much greater responsibilities than just welfare reform in my view. The working poor have had it bad for too long, and we made a very, very important move when we passed the tax reform bill last year in making marginal changes for the people who work to keep more of their money.

The area of health care, the area of income maintenance, and the area of housing, it seems to me, are critical national responsibilities. And as long as we provide obligations, we want our poor to work, to try and be retrained, and to be educated. Those are the responsibilities we expect from them; as well, they have certain things to expect from us: to help them be retrained, to help them be educated, and to help them find work.

That system of responsibilities coming from a Government to its people and back from its people to a Government is one that has to be imbedded in our minds and, at the same time, we have got to sort out who is going to do what.

I didn't have a chance yesterday to testify with Senator Evans before the National League of Cities; we had an internesting battle in the House of Representatives.

Senator MOYNIHAN. And that was noted.

Congressman DOWNEY. You noted it? Fortunately for me, my candidate was successful. So, it was time well spent.

But the cities will come to you and say: This Evans-Downey proposal is going to take money from us and give it to the States, and we don't want to do that; we have got real problems dealing with the homeless. We want to work with them; we don't want to fight them. We want to work together in the bipartisan sense that you and Senator Dole will work together; but a start has to be made and a sorting out of responsibilities has to begin.

And I very, very much welcome this opportunity to work with you; as I have been inspired by you during the years that you have been my Senator, my senior Senator, it is a privilege, as I said before, to be here and have this opportunity to share my views.

Senator MOYNIHAN. Thank you. That is very generous of you, Tom. May I thank you for first-rate testimony and first-rate realism? We are looking for these commonalities.

You used the term "social contract." I think we are going to hear more of that from Dr. Bane, who will be speaking for Governor Cuomo, who cannot be here today. Your Long Island Railroad strike——

[Laughter.]

Congressman DOWNEY. That is why I am glad I am here.

Senator MOYNIHAN. You are here on duty.

Congressman DOWNEY. Yes, sir, I am.

Senator MOYNIHAN. And representing your people. The idea of a social contract is emerging. We are beginning to understand that you make an agreement with your community, and you have to keep your end up. That is, you can't just say, "take care of me"; you have to take care of yourself because you have an obligation to society at large. You are part of the whole, as well as being an individual.

You made again the very important point that—and since you are on the subcommittee——

Congressman DOWNEY. And as ranking Democratic member, amazingly enough.

Senator MOYNIHAN. When we think of welfare recipients, we tend to have a mindset—or tell me if you think otherwise—that they are a sort of fixed population out there, which is no more true than if you said that people receiving unemployment compensation always are receiving unemployment compensation. As an old Assistant Secretary of Labor, I think I can say that the statistics break down.

The majority of recipients of unemployment compensation have been receiving it for 3 to 6 months. Those who exhaust the maximum amount of time available—now 39 weeks—are a minority of all unemployed persons. But the majority are people who have had their plants closed, their schedules changed; they are out of work for a period and they draw their insurance and then go back to work.

Dependence on welfare is quite parallel, isn't it, when you think about it?

Congressman DOWNEY. Absolutely. And I had thought of putting together—and I still may do it—a quiz for our colleagues—about who is poor and who is on welfare; but I dare say it might strike some as being too cute. But when you take out the people who are incapable of working—children, the very old, the disabled, and the sick—and you then take a look at the number of people who are poor, the vast majority of them work. It is a very small percentage of our population that is poor and able to work and on welfare.

You know, this comes as a continuing revelation to those who have looked at this for the first time.

Senator MOYNIHAN. I have been there. In the late 1960's when this issue first began to be raised, a Secretary of Health, Education and Welfare could put an end to the discussion simply by announcing that of all the people receiving Federal welfare, only a handful were able-bodied male adults. Right. Yes. We know that. But does that mean we don't have a problem? That was meant to say we have no problem, and it ended up leaving the children to their own resources and to a very cruel decade and a half of neglect by the federal government.

You are very concerned to see that medical care for poor children be made universal?

Congressman DOWNEY. Absolutely. I mean, I think it is a disgrace—you can use other adjectives—that in this society we treat our children the way we do. And I think the people of our country ought to pass the Congress—both Houses of us—by in a recognition that this must be done. And it is just a question of getting it done, and it must be done in this session of Congress. To delay any longer——

Senator MOYNIHAN. Your point about the California-Nevada border, and on one side a child will get twice the provisions of money to be looked after and be cared for than on the other side, which is just like a line drawn in the sand, which is literally what it is.

Congressman DOWNEY. If you were poor in Lake Tahoe—and I don't know that anyone is—that would be an example of a town divided by a line where on one side you are poor and get one amount and on the other side——

Senator MOYNIHAN. Like a line in the water, right. All right. And if you are on welfare, say, within the State of California or in the State of New York, if you are receiving AFDC benefits, you receive full medical coverage for your children. If you are working and poor, your children get no medical benefits.

Are those children less needful of medical benefits? Will they get fewer bumps, breaks, fractures, and all the things that happen to kids? And every so often, something that is a great deal more serious?

Congressman DOWNEY. Absolutely. And we should be able to make this appeal directly to our supply side friends who are always talking about marginal incentives.

Senator MOYNIHAN. Yes.

Congressman DOWNEY. What is the marginal incentive to work if your child is sick and you want to go to work, and you realize that, if you go to work, you will lose the coverage for them—the medical coverage? I mean, it is crazy.

The amazing thing about the early years of the Reagan Administration is what we found statistically—those of us who are deeply concerned about this—and that was that people, even when they had their AFDC benefits reduced, continued to try and work, with less. They were getting less from the Government, and yet they continued to go to work even though it may have meant for some of them loss of benefits and loss of health care because the dignity of work is so engrained in our society that this is what propelled them.

And the more frightening statistic was the absolute reduction of hope that this Government was deciding to visit upon millions of people who need it; and that, to me, is a very sad legacy, and I would hope that the years of social darwinism are over and that we can begin a much more enlightened decade.

Senator MOYNIHAN. You can certainly hope that that particular mindset is over, but it did succeed in what was really a very large and very subconscious enterprise, which had so disabled the finances of the Federal Government that, no matter what followed, little could be done. You have said that—as far as the eyes could see.

You really do think—how did you put it?—that the Federal Government in the next 10 to 20 years will be largely out of the direct Washington-to-city grants game? You just think that is something we are going to have to live with?

Congressman DOWNEY. Yes, I think so, Senator.

Senator MOYNIHAN. You could go around last year and predict that general revenue sharing would continue, because everyone liked it. But it didn't.

Congressman DOWNEY. It didn't. And the other thing we have to face is that for the last 2 years and probably this year, the defense budget will be frozen; and we may even freeze it next year, but that is not an inevitability. I mean, even under a Democratic administration in 1989, defense expenditures—if you know the history of them, and I know you have, and I have watched them pretty closely—have a period of ups and downs, much like the business cycle.

And for many of our friends in the cities, they take the following attitude: Look, don't try to screw around with CBBG's and UDAC and EDA and other programs like that. Let's just tough it out these 2 years because, when we get a new President in the White House—a Democratically controlled House and Senate—these programs are going to be pumped up again, and that will help us to deal with our problems.

That is not going to happen. It is not going to happen for a couple of reasons. One is that, politically, the inevitability of new ideas, which you are nurturing by these hearings and Harold will over on the House side, will mean that they will be new proposals, and people will turn away from some others—I mean, not the things that have worked; I mean some people would argue that Head Start and some others were tremendously successful programs—but they will look for new opportunities and new programs.

Two, defense expenditures will begin to rise; and three, the inevitable size of these deficits will not come down unless we are prepared to raise revenue, and I don't see the political will frankly from the White House to do that.

So, there will be the pressure to continue as Senator Evans, I think, graphically described, to continue to slice the baloney on those programs. If you want to maintain a thin lifeline for those programs, as opposed to a bold new approach of dealing with poverty, then so be it. That is what the cities will argue; but I think that they will find that there will be less receptive ears in this Congress.

Senator **MOYNIHAN**. Isn't it the case, sir, that regardless of any other effect, the debt service has so hugely increased that it compounds——

Congressman **DOWNEY**. Yes.

Senator **MOYNIHAN**. You cannot pass a joint resolution saying we are not going to pay any more interest this year. We will just pay it much like we paid it last year——

Congressman **DOWNEY**. Or a portion of it.

Senator **MOYNIHAN**. That won't work. We can't say cut the interest payments in half. We have gone from about $65 billion in 1980 when it was in the system, to about $130 billion this year, haven't we?

Congressman **DOWNEY**. Something like that. Well, I think we are above that. I think we are between $150 and——

Senator **MOYNIHAN**. Well, with every additional $100 billion of deficit, you get an extra $7 or $8 billion in interest to pay the following year; and it never goes away.

Congressman **DOWNEY**. Sir, you and I—and I think I am correctly characterizing your position--were not supporters of the Gramm-Rudman legislation.

Senator **MOYNIHAN**. I was 1 of 24 Members here who voted against it.

Congressman **DOWNEY**. And happily so in my opinion, but the fact is that we still live with its dictates, and it will rule from the grave even if we were to somehow kill it with 1,000 cuts. That is the other reason why this grant-in-aid program——

Senator **MOYNIHAN**. You are asking for realism for the next 20 years. If we care about the children, we care enough to say some things that are not very pleasant.

Congressman **DOWNEY**. Absolutely.

Senator **MOYNIHAN**. And by telling ourselves the truth——

Congressman **DOWNEY**. And telling it to the cities and localities who are our best friends and who are the front line soldiers in the fight on poverty. I mean, no one disputes their concern and the fact that we burden them additionally, that there are going to be changes and to work with us in the process of making those changes.

Senator **MOYNIHAN**. I don't want to keep you; you have been so patient. You were here right at the beginning, and you have been more than helpful. One last question, sir, on parental support.

Would you agree that we have done a very poor job in that regard and it is a chaotic circumstance around the country? We now know that the majority of our children will live for some time in single parent families—largely because of divorce. You know, I was raised—and I am considerably older than you—during the Depression; and I had the idea that only millionaires got divorced, because I kept reading the Daily News and they were always millionaires getting divorced.

Congressman **DOWNEY**. Or the Daily Mirror.

Senator **MOYNIHAN**. Later, I realized that others get divorced. A mother goes to court somewhere—a county court—and the child support award is based largely on the whim of the judge. It is a chaotic and arbitrary system, is it not? And it isn't fair to children. It is not fair to anyone involved.

Congressman **Downey**. No. That is absolutely correct. And all that it takes is for someone to spend a day or two in family court in our State to understand that, while children are amazingly resilient human beings, we test that resiliency in ways that are profoundly unsettling.

Senator **Moynihan**. And it is time that we asked for some national uniformity on this.

Congressman **Downey**. I agree completely.

Senator **Moynihan**. All right. We are in agreement on the major points, and we thank you very much, sir. It was very generous of you to come over as ranking member of the House subcommittee that has jurisdiction. We really do hope that in the 100th Congress we can do something about this most serious social issue.

Congressman **Downey**. If we could only solve the Long Island Railroad strike, we would be even more fondly remembered by our constituents.

Senator **Moynihan**. Shall we say that could be taken as an omen? If we can solve that, we can do this. [Laughter.]

Thank you very much for coming.

Congressman **Downey**. Thank you, Senator.

Senator **Moynihan**. Now then, our next witness was to be the President of the National League of Cities, who is flying in from Denver, CO, the Honorable Cathy Reynolds, who is Councilwoman-at-Large in Denver. And I am handed a note that her plane has not yet landed and that staff are waiting for her at the airport. We do very much want to hear her. Is Don Frazer in? No. We will just sit here until the plane lands. We have other excellent presentations to be made, and we will just follow our list, which our able committee staff has put together.

Dr. Mary Jo Bane is here, as I can see. How she got here, I don't know, but she is here representing Governor Cuomo of New York. She will give his testimony in effect.

All testimony, may I say, will be included in the record in full, even if individuals do not read it in its entirety, and you perhaps would not want to read this in its entirety.

May I say that if you don't think that they are having a lot of trouble with snow in Albany, the Governor's testimony begins with page 8 and then goes to page 3, then page 2 and then back to page 3—well, I am going to leave it up to you to straighten that out. [Laughter.]

The Governor, with whom I spoke last evening, called to say he couldn't leave the State. There is a labor dispute, and he has to be there. In any event, there is nothing like being original in these matters, and without making any sensible revelations, I think we have an original before us and we welcome you indeed.

[The prepared written testimony of Congressman Downey follows:]

Statement of Rep. Thomas J. Downey

I want to thank the distinguished Chairman of this Subcommittee for the opportunity to testify on welfare reform today.

I'm not often humbled. But as a student of the Chairman's writings on these issues since my college days, my speaking to you on welfare reform is like Pat Robertson explaining scripture to God. Or is that the other way around? I've never been quite sure.

Twenty years ago we launched a war on poverty in which, Mr. Chairman, you played a seminal role. And while the battles to lift the elderly out of poverty, and to provide health, nutrition and education benefits to the poor were largely successful and alleviated the suffering of millions of Americans, there are many battles that remain. Children - particularly children under age six - female headed households, the disabled, and one out of ten elderly are easily definable groups in need today. The question now is how do we - the Federal Government, local government and state government - meet that need and carry on the war?

A move away from the status quo can be frightening and politically difficult for some of us, but the time has come once again for radical thoughts and bold action on the welfare front. It is simply unconscionable to let so many of our citizens fall through the safety net that is continually pulled out from under the poor.

That is why it is so heartening to see so many distinguished Members of Congress, Governors and organizations such as the National Association of State Budget Officers, the National League of Cities, the National Governors Association, and others make welfare reform the priority it needs to be.

We need, I believe, a two pronged attack on poverty in America. First, we must reaffirm our commitment to the social contract, whose terms were most recently described in the study commissioned by New York Governor Mario Cuomo. Second, we must reinvigorate the relationship between the different levels of government.

Government, at all levels, has obligations to those it represents. In the case of the poor, the Federal Government has a special responsibility to provide opportunity, jobs, health care, day care, and, for those demonstrably unable to train for work or find work, a guaranteed minimum standard of living.

The Chairman's former White House colleague, William Safire, pointed out an important paradox: the "need both for national unity and local diversity; a need to establish equality and fairness at the national level and uniqueness and innovation at the local level. Sounds easy, but the conflict built into the paradox has exploded in riots and built unresponsive bureaucracies."

With these two considerations, the social contract and the Federal/local paradox, we are left with a practical consideration. How do we get from where we are to where we ought to be?

The legislation that Senator Evans and I introduced late in the last Congress, and will soon reintroduce in a revised form in the next month, goes a long way toward meeting both of these objectives.

It increases the monthly AFDC caseload by 1.1 million people, raises the benefit levels of 4.5 million people in 34 states, makes 5 million children newly eligible for Medicaid, increases Federal expenditures over current services by an estimated $14 billion dollars, and provides $1 billion for the development and operation of programs that put able AFDC recipients to work. At the same time the legislation calls for the devolution of many social service, infrastructure, and community development programs.

Concerning Safire's fairness issue, it simply makes no sense whatsoever for a poor family of three in California to receive benefits of $587 while, just across the border, a poor Nevadan family receives $300 less per month. I don't mean to single out these states. The example just illustrates what is demonstrably true. Poverty is a National problem, not limited to any jurisdiction or geographic entity.

The legislation asks a basic question. What level of government can do which tasks most effectively? Federal resources must be directed in the best way possible. This is more true than ever because the Federal Government simply does not have the money, and will not in the foreseeable future, to do what it has been doing.

Cities and states must step into the void resulting from reordered Federal priorities. How much of a void is there left to fill under the legislation I'm advocating? The Federal share of state and local revenues will decline by only an estimated 1%. Compare that with the more than 25% real decrease in intergovernmental program funding in the past six years and you'll see the difference between our initiative and recent budget decisions.

There are many people who think that if a Democratic President is elected, if the budget climate changes, if, if, if... It is time to face some facts. We will live with these budget deficits and the fiscal constraints we currently face for "as far as the eye can see." And while I don't have twenty/twenty vision anymore, I can still see pretty well.

What is the message here? Even if the Evans/Downey legislation did not exist, states and localities would have to learn to get along. There simply is no choice. Cleveland is closer to Columbus than to Washington, San Francisco is closer to Sacramento than to Washington, and Chicago is closer to Springfield than to Washington. We have all learned the "go to Washington" game. And while I regret it, the two minute warning is about to sound.

It's time to play "old home day in the state capitol." It's a new game, with new rules, and new players, but - to be frank - it's one that can't be passed up.

With the demise of Revenue Sharing, the direct grants to cities in our legislation - on a $2 billion per year permanent basis - become that much more important. In some cases, I have been told, these direct targeted grants will more than equal the dollars received by some cities in the last year of Revenue Sharing. And as cities grow more expert in lobbying their own state capitols, there is nothing to stop a city from receiving a healthy portion of the $2 billion in grants that go directly to states.

One thing must be made abundantly clear. The legislation we have introduced is, and will remain, revenue neutral within the Federal budget context. However, the social contract is not revenue neutral. As we shift the Federal domestic budget more toward income maintenance, we will also shift this Nation's priorities. That will be a welcome change. Revenue neutrality is necessary at this time in order to get the type of hearing this proposal deserves. It is a means to an admirable end, certainly not a scheme to starve those in need.

The bottom line is clear. Regardless of the Evans/Downey legislation, the Federal Government in the next 10 to 20 years will be largely out of the direct Washington to city grants game. It is an inevitability, and we in the Congress are going to have to come to grips with. Let us turn what could be a distressing situation into an opportunity for the Nation's poor.

STATEMENT OF DR. MARY JO BANE, MEMBER, NEW YORK STATE TASK FORCE ON POVERTY AND WELFARE, PRESENTING THE STATEMENT OF HON. MARIO CUOMO, GOVERNOR OF THE STATE OF NEW YORK

Dr. Bane. Thank you, Senator. I got here by shuttle hopping, which was not a pleasure. It is, however, a pleasure to be here, and I am delighted to be able to represent the Governor. I am speaking as a member of his Task Force on Poverty and Welfare and also as the former Executive Deputy Commissioner of the New York State Department of Social Services.

Last year around the same time that the President and many other groups were starting to look into the issue of welfare reform, Governor Cuomo appointed a task force of academics and commissioners of the major State agencies to address the issues of poverty and welfare reform.

The report that we delivered to the Governor last month, entitled "A New Social Contract," provides an overall framework for our thinking, and we hope it can also help your thinking about these issues. There are several major themes in our report, many of which have much in common with the proposals that you have already heard today from Senator Evans and Congressman Downey and that you will hear from other people.

One of the major themes is that the problem is much broader than welfare. As long as some of our citizens are less productive than they might be, all of us—our hopes, our dreams, our economic well-being—are dragged down.

We cannot get to the root of these problems and solve them by tinkering with public assistance. Instead, we must address the broader issue of poverty in a welfare prevention, if you will.

A second major theme is that poverty is not one phenomenon, but many. Others have mentioned this already, but the stereotype that many people have—that most poor people don't work, don't want to work, never get married and continue to have children, live in an urban ghetto—are simply wrong. Forty percent of the poor are children; two-thirds of the nonelderly poor live in a household where someone works. Only about half the poor receive public assistance.

The problem with holding on to the old stereotypes in the face of this diversity is that it tempts us into thinking that there can be a single simple solution, like workfare, or passing out benefits, or giving flexibility to the States. And that is just wrong.

The only way we can really make progress is to understand the problems and take them on one by one; and when we do that, when we take an approach of "divide and conquer," we see that many of the problems can in fact be alleviated, and that we can make some progress. We know how to do some things that will be genuinely helpful.

A third theme in our report, which is entitled "A New Social Contract," is that that is indeed what we need, an effort among all of us—Government, business, and private citizens—that recognizes mutual obligations.

Too often, I think, welfare reform efforts have focused only on the obligations of clients or only on the obligations of Government. New efforts, we believe, must include both.

We expect people who are able to work—and they expect themselves to do so—or ought to prepare themselves for work. In return, Government must ensure that hard work and a sense of responsibility will in fact pay off and that opportunities for work, education, and training are available.

In translating these themes into proposals, our task force engaged in what one task force member termed a 'radical incrementalism,' with many pieces of the strategy, most of which attempt to build on the best of programs that are already in place. The first piece is that we need to focus on the economy and the productivity of our labor force. No significant progress can be made in reducing poverty and reforming welfare without increases in employment, improvements in the wages and benefits associated with entry level work, better training and job readiness among the poor, and efforts to reduce racial discrimination.

We must invest in the labor force. Level of skill needed by workers is increasing. The poor are the least prepared to enter this new labor market. We cannot afford this loss of talent, especially if the demography of our labor force changes and we realize a shortage of entry-level workers.

Creating a first class work force requires reforms in education, investments in preschool education, support for training, and compensatory education. New York has long been a leader in providing education to its residents, with efforts ranging from innovative programs to preschooler through the many campuses of the State university. New York is this year serving 10,000 disadvantaged children in experimental preschool programs, and the Governor in this year's budget proposed an expansion of this program and set as the goal the provision of early childhood education to every disadvantaged 4-year-old in the State.

This schooling is to be complemented by increased efforts to develop and coordinate child care services so that working poor families can be assured of appropriate care for their children. Congressional efforts on behalf of Head Start, of course, are also an important part of this strategy of developing our labor force.

The next pieces of the task force's radical incrementalist strategy ensure that people who work hard, fulfill their responsibilities, and contribute to a growing and productive economy indeed reap their rewards, that they are able to support themselves at a level above poverty, without having to rely on welfare. That is not now the case. Two-thirds of the poor—and this has been mentioned before—are working poor, many of them full-time workers.

Fairness demands that supports and services be available to those who work to avoid both poverty and welfare. Attention to the problems of the working poor is also important in order to be able to really reform welfare. Everybody agrees that work is and should be better than welfare; but to bring that about, you have two choices. You can either make welfare worse or you can make work better.

We think we have tried the approach of making welfare worse long enough. Now, it is time to try the other approach, enhancing the status, dignity, and rewards of work. These are the things that the task force thinks need to be done.

First of all, eliminating the gap in health care coverage between Medicaid and employer coverage. Senator, you have made this point several times already this morning: that one of the great "dumbnesses" of the welfare system is the fact that you lose Medicaid when you go off welfare. We need to solve that problem.

Ensuring access to affordable child care, including making more preschool available. Revising tax systems to allow working poor families with children to keep more of their earnings. Obviously, this last year's tax reform law was a wonderful landmark in that regard. State income taxes on the working poor have been eliminated in New York State as well, and we urge continuation of that in other States.

Increasing the earned income tax credit. This was increased in last year's tax bill and is an important way of supplementing income of the working poor. We believe it should be further expanded to take family size into account and to be a genuine supplement to working poor earnings.

Senator MOYNIHAN. Noted.

Dr. BANE. We also believe that reviving the minimum wage law is important to keep pace with productivity and wage increases generally. There is one group of often working poor who are in particular need of support, and these are single parents, usually women, who now make up the bulk of the welfare caseloads. It is often very difficult, even with the best of will for single parents to support themselves and their families through their own work alone.

Now, the logical supplement, as you have pointed out, Senator, is child support; but all too often, the custodial parent is left with full responsibility for raising the children with no or very little financial support from the noncustodial parent. Now, both the Federal Government and the New York government and other States have made progress in locating fathers, establishing paternity, obtaining child support orders, and increasing the amount of collection.

New York increased its child support collections, for example, from $145 million in 1981 to $205 million in 1985. But we believe we must do more in the way of establishing child support guidelines, indexing orders, making wage withholding mandatory, and improving enforcement.

Governor Cuomo will this year propose to the State Legislature the establishment of guidelines for use in calculating child support orders and the establishment of a system of universal mandatory wage withholding for child support. In addition, we will propose a demonstration of an assured child support system, similar to the one Wisconsin is already beginning to develop. Under this system, a custodial parent with an order in place would be guaranteed a minimum child support benefit which, combined with at least half-time work, would enable her to support her family at the poverty level.

The minimum benefits program would be an alternative to AFDC for many single parents and is another part of a welfare prevention strategy.

What about welfare itself? What is the strategy there?

The AFDC program was created many years ago on the assumption that caretakers of young children should not and did not work. The intent was to provide support to families deprived of a breadwinner. Society's attitudes toward women and work have changed, however; and the AFDC program is slowly changing with them. For many—and other people have noted this—AFDC now serves as a program that helps overcome a family breakup, loss of a job, or other personal crises. We can assume, I think, that single parents are able to work at least part time, and we can start thinking about public assistance recipients as in transition to employment.

To reflect these changed expectations, the task force recommended that public assistance programs should be restructured into two new programs: a time-limited transitional program of temporary supports and service delivery to help people overcome short-time problems and enter the economic mainstream, and a guaranteed work program for that small group who are unable at this period of time to make the transition to unsubsidized employment.

Both parts of this, the transitional program and guaranteed work, reflect a new concensus that we have to change expectations in the system. The social contract that we are proposing here with these two programs requires much from recipients, including mothers with young children. In order to receive support, they must prepare themselves for employment or work; but it requires much from Government as well, in particular, that we improve the economy, provide training opportunities, and provide necessary support services.

New York State, like many others, has developed work programs for welfare recipients that are beginning to embody these notions. The State has shifted the focus of welfare programs from simply providing maintenance and support to the needy to giving them the tools they require for self sufficiency. In every county now, welfare agencies are developing contracts with their clients that provide a spectrum of employment and training services.

New York State is seeing results from these efforts. The number of jobs for welfare recipients has more than doubled in the last four years. In addition, we have put in place the WIN demonstration program, the JTPA program, a substantial grant diversion program, and a comprehensive pilot program for women with young children.

Thus, New York, like many other States, is putting in place a strategy that we believe moves toward a general vision of AFDC that is work-oriented and that encompasses genuinely mutual responsibilities. The States are obviously looking for Federal support in this area.

Now, the obvious question, of course, is whether we can afford to implement such a multifaceted, broad-based approach to alleviating poverty and reforming welfare. There are three answers to these questions. The first is to point out the obvious, that our current combination of lost productivity lost lives, and costly welfare payments already costs a great deal. And the coming demographic changes suggest that the cost will only increase. Can we afford not to is the first answer. The second answer is that we need to take a long-term perspective and think about these costs of investments. Some of the investments, in education and health care, are expensive. Others, such as increasing our efforts to collect child support, will generate savings.

And if we are successful in alleviating poverty and reducing dependence on welfare, we will have avoided costs.

Finally, it is our obligation to help those who are less fortunate achieve financial independence. Even in hard times, this country with Congress in the leadership, I must admit, over the last couple of years, has found ways to fund programs that were necessary for the well-being of the poor.

If I can leave you with one message from the Governor and from our task force, it is that there is room for optimism here. The problems of poverty are complex and difficult, but they are not insolvable. The important point is that there are many different types of poor people, many causes of poverty, and as a result, we have many strategies available to deal with them. One danger we face is that we will fail to demand that all parties to the social contract fulfill their obligations. It will be too easy once again to place undue emphasis on one side or the other of these mutual obligations.

Some will argue that the Government is not doing enough. Others will argue that the poor are not doing enough. But we cannot forget that both parties have responsibilities. Working together, we believe we have the power to create a society in which everyone through education and work can share more fully in the American dream. Thank you.

Senator MOYNIHAN. Governor Bane, we thank you very much. [Laughter.]

I would like to make an announcement while I have a moment here. I am very happy to announce that Councilwoman-at-Large, Ms. Reynolds, has arrived. The plane did land; we were worried about you. We didn't know if it was just late or had lost its landing gear. We had a nervous moment there. We will be hearing you momentarily. We moved you just one cycle down, and we announced that this hearing would stay open until you arrived. I am sorry to say that Senator Dole and Senator Bentsen had to leave.

Again, to common ground here. The first thing we are hearing today in every presentation is that there is not one welfare problem; there are many. We have found it useful to compare this diverse welfare population with people who receive unemployment insurance. Most receive it for a very short time, and for a very clear reason. Yet some are on it for a very long time and it expires, and we extend it and then extend it again; and it never quite works.

Another common theme is the notion of work. You are one of the nation's most distinguished scholars in this regard, and I think you would agree that nothing has so transformed our possibilities in this field than the change in the perception of female employment, in the last 15 years. It happened about as subtlely as any social change I think that can be remembered.

As you know, Dr. Bane, the percentage of the population in the work force used to be known as one of the great ratios. For about 60 years of measurement, it hung in at about 52 percent. There was a time when everybody was on a farm, a time when nobody was on a farm, a time when children worked in coal mines, a time when nobody worked in coal mines. The population in the work force remained about the same.

And then, in the last 15 years, it has leapt up to about 61 now, isn't it? The entry of large numbers of highly educated women in the work force: women now work, and women with children work. More than 70% of mothers with children aged 6 to 18 are in the labor force today.

And so, when we talked about welfare strategies 15 years ago, to mention work was to suggest an insidious and painful and punitive exaction was going to be made of a particularly vulnerable group of mothers. That objection doesn't arise here. We have really gotten past that now. I mean, don't you find that to be true in your actual experience in New York?

Dr. BANE. That does seem to be one of the themes that is emerging from all of the people who are looking at this issue these days, Senator. One of the most striking parts of that statistic is, as you know, the increase in the proportion of women with very young children—children under one—who are now in the labor force and who are working.

I think, though, that we mustn't forget that for single parents it is very difficult for them to support themselves by work alone and, whereas it is reasonable to expect work, it is certainly reasonable to prepare them for work and to make efforts to move them into unsubsidized jobs; but the child support part of this is also very important as a supplement to their own work and a way of putting together a package.

Senator MOYNIHAN. Yes. Oh, and that is what you mean by "social contract," but your notion of a time-limited transitional program is almost exactly parallel to unemployment, is it not?

Dr. BANE. That is right.

Senator MOYNIHAN. And a guaranteed work program for that small group—and it is a small group. And what do you say? Come clean now. [Laughter.]

How are we doing? Would you say that any Government efforts in this regard have had any serious impact on the welfare tendencies in New York State over the last 30 years?

Dr. BANE. Yes, I think I would.

Senator MOYNIHAN. I mean, that is a real table-pounding assertion. No. I recognize that a scholar's concern is to be precise. What has happened there? Could you start by just telling us about the welfare incidence in New York State, just for the record?

Dr. BANE. Having now been away from the State for two months, I have probably forgotten everything I learned, so I am not going to get all the numbers right; and perhaps we can correct them somehow later for the record.

Senator MOYNIHAN. Surely.

Dr. BANE. In the AFDC caseload in New York State, if I recall correctly, when I left it was about $1.4 million.

Senator MOYNIHAN. $1.4 million.

Dr. BANE. And there was a total of about 2 million people who were receiving either food stamps or Medicaid.

Senator MOYNIHAN. New York State has a program of public assistance which is entirely funded by the State.

Dr. **Bane**. That is correct. The 1.4 number includes the general assistance, which we call the Home Relief Population, which includes both single individuals and two-parent families. The proportion of that is relative to a population of 17 million or so; and so, the proportion of people receiving public assistance in New York State is not very different from the rest of the country.

In terms of work programs, Senator, I think that New York State, like many States which have had Home Relief Programs, has over the past decade concentrated work program efforts on the Home Relief Population. And as you know, New York State has had a work fair program for home relief recipients, a PWP Program, for a long time; and we have had it so long that it is hard to say what that population would be like or what that caseload would be like in the absence of that.

But I think there have been very serious efforts made in that regard, and recently there have been efforts made to make it not just a work-off-the-grant program, but a program which would help general assistance recipients receive the education and training that they need.

In terms of AFDC recipients, it has been in the last, oh, 5 years, I suppose, when serious efforts have been made to bring work-oriented programs and training programs——

Senator **Moynihan**. Within the last 5 years?

Dr. **Bane**. I would say that.

Senator **Moynihan**. Oh.

Dr. **Bane**. In contrast to the home relief population——

Senator **Moynihan**. The total payments. You know, we established the WIN Program in 1967, if I recall, and the Manpower Development Training Act in 1962; yet New York State has only had its program in effect for 5 years?

Dr. **Bane**. I would say, Senator, or what I was trying to say was that in the last 5 years, I think there have been better efforts and more consistent efforts to use those programs in ways that will help welfare recipients and genuinely help them to move on to employment. Obviously, the WIN Program has been in place for a long time and has been used in New York City——

Senator **Moynihan**. I don't mean to hold you to any proposition, but I want to get to your final statement that we can be optimistic about this. I just want to record my view, and you don't have to agree with it. In a place such as New York, about 20 years ago, the judgment was made that these problems were insoluble. There was nothing you could do, and very little was attempted; and nothing much changed—nothing did change, did it?

Dr. **Bane**. I wouldn't say that, Senator.

Senator **Moynihan**. Would you say the condition of the dependent poor in New York City today is better or worse than it was 20 years ago?

Dr. **Bane**. Well, that is a hard judgment to make. It is true that the poverty problem in New York State is different almost in character—in New York City—than it is in the rest of the country. We give the figure in the report, and other people have quoted that nationally perhaps 7 percent of the poor in this country live in highly concentrated poverty areas.

Senator **Moynihan**. That is a 40 percent poverty rate?

Dr. **Bane**. That is correct. It is 7 percent nationally. In New York State, that number is 22 percent.

Senator **Moynihan**. Yes.

Dr. **Bane**. So, the proportion of the poor living in isolated, highly concentrated poverty areas in New York City—and they are pretty much all in New York City—is just much greater. It is a much more difficult problem than other places have. The proportion of single parent families among that group is very high. The proportion of welfare receipt is indeed very high.

I do think, though, that there have been—and with a caseload as large as New York State's, it is hard to have big successes because there is a lot of inertia and a lot to be done. I think, though, there have been some small programs. There has been the Wildcat Program; there has been the programs that New York City has run for welfare recipients. There have been many small——

Senator **Moynihan**. They are all small.

Dr. **Bane**. They are all small, but as you know, Senator, with this problem, it seems to me, you have to build up from the small pieces. You have to start with a couple of hundred here and a thousand here and so on because that is the way we are going to make progress.

Senator **Moynihan**. I understand there is something called Mass. And I recall an occasion maybe eight years ago when we were discussing adoption allowances, and a commissioner of social welfare from a State in the high plains, which I will not name, came to us and was talking about a program they had and how very well it was working and how this can be done and it ought to be done and, indeed, why didn't the national government do it? And they came to me to ask me about it.

I asked "How many persons do you have receiving adoption assistance in the State?" The Commisioner looked horrified because he didn't know—and his level of not knowing I will explain in one moment—and so, he turned and hurriedly had a whispered conversation with finger counting and so forth with someone who had arrived with him, and then he turned and said "82." He was afraid that he might in fact say it was 78 when it was 82 or 87 or whatever.

One last question.

Dr. **Bane**. Yes?

Senator **Moynihan**. This does go to my question of how we can say very accurately that the dependent population is quite varied, that we have only a small 7 percent group who are truly the hardcore dependent poor. I guess David Elwood counts it at 6.7; you can get down to decimals on this.

Dr. **Bane**. That is right. I rounded to 7.

Senator **Moynihan**. And you rounded to 7 properly because no one knows that much about anything. If you say 10 percent or less, you are about right; but there are places where it is 40 percent or more, and that is a different issue. You mentioned that your State is now going to have an experiment in parental support. How did you say that? Oh, a demonstration of assured child support system will be proposed; and we are going to see one of those in Wisconsin. We talked earlier about this.

Give us your thoughts. You say New York managed to raise its child support collections from $145 million to $205. If you collected all that was owed, what would that figure be? About a billion?

Dr. **Bane**. I would think so, Senator.

Senator **Moynihan**. Yes. So, you are getting 20 percent. Just for the record, would you agree that, with respect to child support—first of all, it ought to be part of any social contract.

Dr. **Bane**. That is right.

Senator **Moynihan**. I mean, if you have a baby, you have to raise it. That is all. You know, that is just going to have to be so, and it has to be so until that child reaches adulthood. The mother keeps doing it for a long time, and so must the male parent. First of all, the establishment of paternity is no longer an obstacle, is it? It is a fully developed science; isn't that so? We know that the error rates are very low.

Dr. **Bane**. Technically speaking, yes.

Senator **Moynihan**. Secondly, in the Social Security system, we really do have a national system of tracking—if we must use that word—and we have that ability, have we not?

Dr. **Bane**. Yes, we do.

Senator **Moynihan**. I mean, if I wanted to know where you were working, I could go into the back room and call up Baltimore and, in about 20 minutes, they would tell me. And in the income tax system, we have a similar capability.

That is in regard to the point I made earlier about how very much of this structure is in place. Now, we have met the case for 7 million of the 12 million poor children. We have the right to collect spousal benefits and to attach wages and to track people. That is all in place. We have training programs. We have the systems for the early childhood education and so forth.

But we don't have the right to pry into new areas of social endeavor to construct a more coherent system. Would you agree with that?

Dr. **Bane**. I would agree with that, Senator.

Senator **Moynihan**. And that is why you ended on a note of optimism?

Dr. **Bane**. I did.

Senator **Moynihan**. Which not everyone who represents New York State is in a position to do. On the other hand, we note that you have returned to the Kennedy School, is that correct?

Dr. **Bane**. That is correct. Yes.

Senator **Moynihan**. We congratulate the Kennedy School. As a New Yorker, I would say we had some of your best years, and we are very proud of you and very appreciative.

Dr. **Bane**. That is right, and now I am in decline.

Senator **Moynihan**. Thank you, Dr. Bane, and thank Governor Cuomo for us.

Dr. **Bane**. I will. Thank you, Senator.

Senator **Moynihan**. And now, representing the National League of Cities, the Honorable Cathy Reynolds, who is Councilwoman-at-Large from Denver, CO. We do very much welcome you, Ms. Reynolds. You brought an associate with you, if he would like to come forward and join you?

[The prepared written statement of Governor Cuomo follows:]

TESTIMONY OF

MARIO M. CUOMO
GOVERNOR, STATE OF NEW YORK

SUBMITTED BY

MARY JO BANE
MEMBER
NEW YORK STATE
TASK FORCE ON POVERTY AND WELFARE

JANUARY 23, 1987

Hearings on Welfare Reform
Senate Committee on Finance
Subcommittee on Social Security and Income Maintenance Programs

Senator Moynihan and members of the Subcommittee on Social Security and Income Maintenance Programs, I appreciate the opportunity to talk to you this morning about one of our nation's most pressing and seemingly intractable problems -- poverty. Early last year, the President announced his intention to study the issue of welfare reform. Many states--who have been concerned about these issues for years-- also focused renewed energy and creativity on ways to increase the financial independence of those unable to support themselves. The fact that you are holding these hearings is another indication of the depth of our national concern about poverty and welfare reform.

Our nation has a long history of concern for the poor. Last year we celebrated the one hundredth anniversary of the Statue of Liberty, a symbol of the hope and opportunity we have held out to the world's poor since this country was first settled. New York State, whose concern for the less fortunate among us has expressed itself in strong, innovative leadership on social issues for more than a century, continues to be in the forefront of thinking and action in this area.

Last year Governor Cuomo appointed a task force of nationally recognized experts to address the issues of poverty and welfare reform. The report that we delivered to the Governor last month, entitled, A New Social Contract, provides an overall framework for thinking about these issues. I am also pleased that the report proved helpful to the Governor in shaping some of the proposals he put forth in the budget and his State of the State message. I want to share some of these ideas with you, as well as some of the specifics of programs New York is involved in now.

You have asked for testimony on welfare reform. While reform of our current welfare system is a pressing national issue, one of the main themes of the task force report is that the problem is much broader than welfare. As long as some of our citizens are less productive than they might be, all of us -- our hopes, our dreams, our economic well-being -- are dragged down. We cannot get to the root of those problems and solve them by tinkering with public assistance. We must address the broader issue of poverty. We must focus our energies on a mutual effort to enable all among us who are able to contribute productively to our families and our society. On the strong base of a healthy economy and a productive citizenry we will then be able to generously lend a helping hand to those who cannot work and those who have temporarily fallen on hard times.

To do all this effectively, the task force pointed out very strongly that we must recognize that poverty is not one phenomenon but many. The stereotype that many people have -- that most poor people don't work, don't want to work, never marry but continue to have children in order to get more welfare, and live in an urban ghetto -- is simply wrong. Forty percent of the poor are children. Two thirds of the non-elderly poor live in a household where someone works. Only half the poor receive public assistance.

The problem with holding onto our old stereotypes in the face of this diversity is that it tempts us into thinking there can be a single, simple solution, like "workfare" or cashing out benefits and giving flexibility to the states. This is just wrong. The only way we can make progress is to understand the problems and to take them on one by one. And when we do this--when we take the approach of "divide and conquer"--we see that many of the problems can be solved, that we can make some progress, and that we know how to do some things that will be genuinely helpful.

The key is a genuinely mutual effort among all of us--government, business and private citizens--that recognizes our mutual obligations. Too often welfare reform efforts focus only on the obligations of clients or on the obligations of government. Our new efforts must include both. We expect people who are able to work--and they expect themselves--to do so or to prepare themselves for work. In return we must ensure that hard work and a sense of responsibility will in fact pay off, and that opportunities for work, education and training are available.

The first thing the task force suggests is that we need to focus on the economy and the productivity of our labor force. No significant progress can be made in reducing poverty and reforming welfare without increases in employment, improvements in the wages and benefits associated with entry-level work, better training and job readiness among the poor, and efforts to reduce discrimination in wages and employment.

The initial step is to build a strong, inclusive economy that creates jobs at non-poverty wages for most workers, and that ensures that well-trained workers are available to fill them. New York State is very proud of the efforts it has made to expand the economy and to provide a setting in which high productivity industries can grow.

New York State is forging links between human services programs and economic development initiatives. Services like job training and recruitment are being tailored to meet the requirements of specific firms; child care and other services can also be part of the package offered to employers seeking to locate or remain in the state. This collaboration is part of the Economic Development Zones program that is now getting underway. In addition, businesses applying for state financing assistance are being made aware of available services, and of the benefits accruing to them as taxpayers when they secure the "double utility" of hiring welfare recipients.

We must also invest in our labor force. The level of skill needed by workers is increasing. The poor are the least prepared to enter the labor market, let alone keep up with the changing demands made on workers. We cannot afford this loss of talent. As the demography of our labor force changes, and we realize a shortage of entry level workers, we will be even less able to afford to let anyone drop by the wayside. We need to create a first-class work force through reforms in education, investments in pre-school education, support for training in the private sector, and compensatory education for those who lack the skills and abilities to compete in the labor market.

New York has long been a leader in providing education to its residents, with efforts ranging from innovative programs for pre-schoolers through the many campuses of the City and State University system. Over the past four years, the State has increased its investments in schools by 50 percent, targeting much of this funding to dropout reduction, improved schools, and adult education.

Let me cite one example of what the State has done. For several years New York has run a successful experimental pre-kindergarten program. This year it is serving 10,000 disadvantaged children. This year's budget proposed an expansion of this program, and set as a goal the provision of early childhood education to every disadvantaged four-year-old in the State. This schooling is to be complemented by increased efforts to develop and coordinate child care services, so that working poor families can be assured appropriate care for their children.

It is clear that these strategies leading to a stronger economy and more productive labor force will benefit everyone, not just the poor, economically. They also provide the only real hope for dealing with the terribly troubling problems of poverty in our inner cities. The over-representation in poor neighborhoods of problems like teen pregnancy, dropping out of school, crime, and withdrawal from the labor force has raised questions about the relationship between the poverty of a neighborhood and the behavior and values of its residents.

But a better way to understand the issue is to recognize that the lack of opportunities and the isolation of ghetto neighborhoods establishes a vicious circle in which behavior that ultimately proves self-defeating seems both reasonable and rewarding. Young men, for example, who see no legitimate job in their future may see no reason to stay in school and good reason to become part of the underground economy. Young women who have no reason to expect good marriages or satisfying careers should not surprise us when they have children outside of marriage.

The primary role for government is to provide the opportunity structure in which changed behavior, delayed parenthood, school completion and hard work will indeed pay off. That is why economic development and education efforts, especially those directed at our most troubled neighborhoods, are so important.

The next thing we need to worry about is how to ensure that people who work hard, fulfill their responsibilities and contribute to a growing and productive economy reap their rewards; that they are able to support themselves and their families at a level above poverty without having to rely on welfare. That is not now the case. Two thirds of the poor are working poor, many of them full-time workers. Fairness demands that supports and services be available to enable those who work to avoid both poverty and welfare.

Attention to the problems of the working poor is also important for us to be able to achieve real reform of welfare. We all agree that work is and should be better than welfare. To bring this about we have two choices: we can make welfare worse or make work better. We have tried the approach of making welfare worse. Now it is time to try the other approach: enhancing the status, dignity and rewards of work.

These are the things that we ought to be doing.

- Eliminating the gap in health care coverage between Medicaid and employer coverage. The working poor and those near poverty should have access to health care through full or partial subsidies.

- Ensuring access to affordable child care. This would include making preschool available to more children and extending school-day programs.

o Revising tax systems to allow working-poor families with children to keep more of their earnings. We applaud the passage of the tax reform act which does precisely this. State income taxes on the working poor have been eliminated in New York State as well.

o Increasing the Earned Income Tax Credit. While congress is to be commended for increasing the EITC, it should be expanded further to take family size into account.

o Revising the minimum wage law to keep pace with productivity and wage increases generally.

There is one group of poor, often working poor, who are in particular need of support. These are single parents, usually women, who now make up the bulk of the welfare caseload. All too often the custodial parent is left with full responsibility for raising the children with no, or very little, financial support from the non-custodial parent. These non-custodial parents have a responsibility to their children. Both the federal government and New York have made progress in locating fathers, establishing paternity, obtaining child support orders, and increasing the amount of awards actually calculated. In fact, New York increased its child support collections from $145 million in 1981 to $205 million in 1985.

But we must do more in the way of establishing child support guidelines and indexing orders, making wage withholding mandatory, and improving enforcement. Governor Cuomo will this year propose to the State legislature the establishment of guidelines for use in calculating child support orders and the establishment of a system of universal, mandatory wage withholding. In addition, a demonstration of an assured child support system will also be proposed. Under this system a custodial parent with an order in place would be guaranteed a minimum child support benefit which, when combined with at least half-time work, would enable her to support her family at the poverty level. This minimum benefit program would be an alternative to AFDC and should be thought of as a welfare prevention strategy.

But what about that large number of poor households who are currently dependent on welfare? What type of strategy should we propose?

The AFDC program was created many years ago on the assumption that caretakers of young children should not work. The intent of the program was to provide support for as long as it was needed to families deprived of a breadwinner. Society's attitudes toward women and work have changed, however, and the AFDC program is slowly changing with them. For many, AFDC now serves as a program that helps overcome a family break-up, loss of a job, or other personal crisis. If we assume that single parents are able to work at least part time, then almost all current public assistance recipients should be thought of as "in transition" to employment.

To reflect these changed expectations, the task force recommended that public assistance programs should be restructured into two new programs:

o A time-limited transitional program of temporary income support and service delivery to help people overcome short-term problems and enter the economic mainstream.

o A guaranteed work program for that small group who are unable, after a period of time, to make the transition to unsubsidized employment.

Both parts of this, the transitional program and guaranteed work, reflect a new consensus that we have to change expectations in the system. The social contract requires much from recipients, including mothers with young children. In order to receive support they must prepare themselves for employment or work. And it requires much from government, in particular that we improve the economy, provide quality training opportunities, and provide necessary support services.

New York State, like many others has developed work programs for welfare recipients than embody these notions.

The State has shifted the focus of welfare programs from simply providing maintenance and support to the needy to giving them the tools they require for self-sufficiency. In every locality, welfare agencies develop contracts with their clients that provide a spectrum of employment and training services designed to help individuals secure unsubsidized employment with sufficient earnings to make their families independent of public assistance.

New York is seeing results from its efforts. The number of jobs secured for welfare recipients by local welfare department efforts alone has risen by more than fifty percent over the last four years. In addition, the State has put in place a WIN demonstration program and JTPA program that have brought similar improvements in effectiveness.

The State has developed the largest and most successful grant diversion program in the country. This Training and Employment Assistance Program (TEAP), established in 1981, provides reimbursement for training costs to employers who hire public assistance recipients. Over 6,500 PA recipients have participated in TEAP since its inception. In addition, as a further indication of New York's commitment to this population, the State has been the largest utilizer of the Target Jobs Tax Credit nationwide.

The State is focusing new efforts on one of the most vulnerable of population groups traditionally exempt from employment and training efforts - women with young children. This month the state is beginning a program in 9 locations to provide comprehensive employment/training and support services to this group so that they can find alternatives to ongoing dependency on the welfare system.

But what about those who are truly unable to work? The task force recommends that people who are unable to work because of age or disability should be supported without harassment at a decent level of income, even if long-term support is required.

The obvious question, of course, is whether we can afford to implement such a multi-faceted, broad-based approach to alleviating poverty and reforming welfare. I have three answers to this question. The first is to point out the obvious, that our current combination of lost productivity and costly welfare payments already cost a great deal and the coming demographic changes suggest the costs will only increase. Thus, we must ask, can we afford not to move toward an approach similar to the one we have suggested? The second answer is that we need to take a long-term perspective and think about these costs as investments. Some of these investments -- improved education and expanded health care -- are expensive. Others, such as increasing efforts to collect child support, will generate savings. And if we are successful in alleviating poverty and reducing dependence on welfare, we will have avoided costs. Finally, it is our obligation to help those who are less fortunate achieve financial independence. In the past, even in hard times, Congress has found ways to fund programs that were necessary for the well-being of the poor.

If I can leave you with one message, it would be that there is room for optimism. The problems of poverty and welfare reform are complex and difficult, but they are not insoluble. The important point is that there are many different types of poor people and many causes of poverty and as a result we have many strategies to pursue to alleviate specific types of poverty.

The danger we face is that we will fail to demand that all parties to the social contract fulfill their obligations. It will be far too easy to place undue emphasis on one side or the other of these mutual obligations. Some will argue that the government is not doing enough to provide jobs, training or income support. Others will argue that the poor are not doing enough to support themselves.

We cannot forget that all parties to the social contract have responsibilities. Working together, we have the power to create a society in which everyone, through education and work, has a chance to share in the American dream.

STATEMENT OF HON. CATHY REYNOLDS, COUNCILWOMAN AT LARGE, DENVER, CO; AND PRESIDENT, NATIONAL LEAGUE OF CITIES, WASHINGTON, DC, ACCOMPANIED BY FRANK SHAFROTH, DIRECTOR OF FEDERAL RELATIONS, NATIONAL LEAGUE OF CITIES, WASHINGTON, DC

Ms. REYNOLDS. Senator, this is Frank Shafroth from the National League of Cities office, who is right where he belongs, which is always slightly behind me and to my left. [Laughter.]

So, with your permission, we will leave him as he is.

Thank you very much for asking the National League of Cities to participate in these hearings. I do apologize for being late.

Senator MOYNIHAN. Apologize? Look around this hearing room.

Ms. REYNOLDS. I didn't expect to have a 20-hour layover in Cleveland last evening. And being a great Bronco fan and having just won a bet from Mayor George Voinovich on the recent game, I was not the most welcome visitor Cleveland has had; but they were gracious hosts, and I am delighted to be here this morning.

I am a Council member in Denver, CO, and I am speaking this morning for the elected officials of approximately 16,000 American cities and towns who are represented in the National League of Cities. Our municipal leaders in this country are extremely concerned about the ongoing problems of not only welfare, per se, but of poverty in our cities. And we look forward to participating in a number of discussions in the coming months, trying for us all to find ways out of the difficulties and into a purer light of finding solutions.

The barriers in the current system for us come very close to home: The drug-related murder, the unsupported child, the evictions, food resources being depleted are all things with which municipal officials are forced to deal daily whether or not the responsibilities are legally ours, because the people who are suffering are indeed ours and are quite close to home.

Every dollar we spend at the municipal level to deal with these crisis situations are dollars we cannot then invest to try and get at the causes and the roots of poverty in our communities. Denver, for example, gets $63.7 million in State and Federal resources that go directly into welfare programs. The city itself contributes $19 million directly through our property tax levy for welfare programs, plus approximately $25 million a year for care for the medically indigent, most of whom are the working poor who simply do not have health care coverage. Add to that the private investment that is made in our community by various public minded groups and the costs we all incur in terms of subsidized housing.

And you can see that for a city of half a million people, we are indeed looking at a very large problem.

Senator MOYNIHAN. And if I may say, a city you don't associate with particular difficulties; but there is no city that doesn't have them.

Ms. REYNOLDS. Yes. We are extremely lucky in Denver. We have not had all of the difficulties of my friend, Mary Jo Bane from New York; but they are there and they are increasing. And with the unemployment problems we are experiencing now, we note that they will increase even more quickly in the near future.

There are some basic principles and goals the National League of Cities would like to put in front of you for your consideration. First, we believe there is a moral commitment to human dignity and that every American should be eligible for a minimum standard of living providing adequate shelter, nutrition, and health care.

Second, we believe every American should have the opportunity to lift himself or herself and their families out of poverty. Third, our country must reward those who work. Fourth, we must invest in our single most important resource, which is our children. And fifth, any Federal welfare reform proposal must provide for a comprehensive coordination between all levels of government and between the programs of government. We are, without question, the richest, most powerful nation on earth. We have the imagination of the fiscal, creative, and technical resources to put men on the moon and nuclear weapons into God's heavens; and yet today, nearly one out of every four infants is born into poverty.

We have unacceptable rates of infant mortality, higher in some of our cities than in Third World nations. All too many of those infants who do survive to be children are condemned by the time they reach school by inadequate maternal health care and nutrition. Children become more and more an expensive burden to our society, and it is a human waste that we are causing by our own disinvestment.

Our goal, we believe, must be to ensure that no American child is denied the opportunity to succeed. We also share the concern over parental responsibility for the care of children and how that can be enforced. Finding the methods to do so is crucial. In this area, more than most others, coordination between the layers of Government and private sector is important.

First, it is an area that will require a greater Federal investment in programs that have proven efficient. We believe these issues are well addressed in Title I of the Children's Survival Bill, of which we are supportive. Second, we believe the Federal Government must provide targeted fiscal assistance to units of local government so that we have the ability to provide better for the special needs and preventive services necessary.

There is a widespread disparity throughout the nation especially in central cities and rural cities and towns, the municipalities with disproportionate levels of poverty and therefore inadequate tax bases and fiscal resources.

Last year a local government in Oklahoma set a policy guideline for its child abuse unit. If an employee determined that a child asking for help on the phone in an abuse situation was old enough to physically escape, then no direct immediate assistance was offered. It was simply a case of not enough money.

Last week the New York Times reported significant increases in homicides in central cities, especially among teenagers. This year these same central cities will have severely reduced resources. A city such as Detroit received nearly eight times as much in revenue sharing per capita as wealthy suburban jurisdictions; and most central cities devoted the majority of their revenue sharing to police and fire services. These services are cut with the loss of those funds.

Poverty erodes a municipality's tax base, but it increases the demand for safety and human services, especially in the areas of child abuse, drug and alcohol related abuse, arson, and violent crimes. Without some means to respond to increasing fiscal disparities between regions and municipalities, we are fearful of even more vicious cycles.

Third, we believe States must continue to commit increased legal and fiscal resources to enforcement, especially post-adjudication enforcement for child support. This is something that most cities, counties, and States are doing now, and we hope the Federal Goverment as well will turn more attention to it.

Fourth, we believe that all levels of Government need to coordinate new resources to earlier and later education relating to families. That is, we need to provide better efforts to teach teenagers and young parents, single or married, about the responsibilities of parenthood; and we need to provide for necessary Head Start services in coordination with nutrition and health care much sooner.

The city of Minneapolis has found that every dollar invested in preschool programs returns $4 to the community in terms of reduced Government costs for education and legal costs for delinquent behavior, as well as increased economic opportunities for the children. The city of Alexandria has found that poor, new parents are often the least well equipped to understand the responsibilities of parenthood and the importance of early education.

Fifth, we believe that all of us who claim to be leaders need to rethink our own roles and responsibilities. We need to encourage, participate, and work with private and nonprofit organizations which traditionally have helped bring families together in our communities.

Our immediate past president, Mayor Henry Cisneros of San Antonio, suggested that we could all devote more time and effort to encouraging the Scouts, the YMCAs and YWCAs, and others of like ilk who, through the years, have worked so hard to develop a sense of community and values for families in our communities. Those organizations are not as popular today. They are not receiving the community support they used to. Instilling the responsibilities of parenthood and family life and community life to young children should be one of our goals for the future.

To the question of what roles should various levels of Government play, well, almost all of the 33 million Americans who live in poverty live in cities and towns. Sixty-one percent live in metropolitan areas; others live in rural cities and towns. We believe the local government must be a player in this game. We have a front line role to play, and we believe that any suggestion that current municipal programs be wiped out or cut severely back to take care of a broader Federal role in terms of welfare is extremely inappropriate and will not alleviate poverty.

Rather, we believe we all must coordinate and work together. In that regard, I am pleased to report that the National League of Cities has been invited to work with the National Governors Association, as they prepare their comprehensive Federal welfare reform proposal—a proposal, I should add, which should not involve the so-called "devolution of municipal programs." The roles of all levels of Government will vary depending on the program, but they all involve a minimum Federal role, we believe.

One key question when we come to the poverty and welfare; we believe, is housing; and it is one that we believe is too often neglected in the debate on poverty and welfare.

The cost and access to decent, safe, and sanitary shelters is the single most important part of shaping a family and whether a family will survive. In our Nation, ensuring such shelter for all American families has been a Federal goal for almost 50 years. A home is the critical shelter under which a family is built. The provision of low income housing has been almost uniquely a Federal/local responsibility. It is one in which few States have played almost any significant role, except for the issuance of single and multifamily mortgage revenue bonds.

The municipalities are the operators of public housing and homeless shelters, and are responsible through zoning, code enforcement, and community development for the shape of housing for all of our constituents. The evolution of Federal housing policy, direct and through the Federal Tax Code, since 1979 has radically altered the shape of Federal policy. It has reaped record numbers of homeless families and children, overcrowded housing and terrible costs.

Still to come is an even worse crisis. As the existing pipeline of housing runs out over the next few years, hundreds of thousands of families will be displaced. We literally have a time bomb waiting to explode.

I would note, Mr. Chairman, our special concern for the question of shelter. Paying the rent has almost always taken precedence over paying for adequate preventative health care, child care, or nutrition. If we cannot provide shelter, then all else is at risk. At the Federal level, I believe three steps are critical.

First, the Federal Government must recommit itself toward the national goal set in the law by reauthorizing the nation's expired housing and community development laws and setting a firm goal of providing new housing. We believe proposals to fund welfare reform through the termination of Federal low income housing assistance would be devastating to the cities and to the people who live in them.

We also believe that failure to address the issue now will make today's homeless problems and costs appear almost nonexistent compared with future problems and costs.

Second, families who cannot afford to own a home, be it first or vacation, ought to receive at least as much assistance through direct and tax expenditures as those Americans who are fortunate enough to own currently enjoy. Since 1979, Federal housing policy has increasingly shut off those most in need, while overall expenditures have increased.

The recently enacted tax reform legislation aggravated the disparity. We expect it will increase rental costs to low income Americans between 15 and 30 percent. In many cases, this will be far in excess of the tax relief realized.

We strongly support efforts to readdress Senator Mitchell's low income housing tax credit proposal to ensure that it is workable and reaches more of those who are in need.

Third, we urge amending Title VIII of the Fair Housing Act to prohibit housing discrimination against families with children. Not only does such discrimination cause undue hardships for families on welfare, but it also increases the cost of what shelter is open to such families.

We have a concern as well with nutrition. Soup kitchens are no longer a memory, a thing of the past. It is now true, and it is a municipal responsibility. The cuts in Federal nutrition programs, especially for school children, women, and infants sharply contrasts with the extraordinary growth in Federal farm subsidies, the oversupply our Nation produces, and most recently, the Administration's offer to subsidize grain costs to the Soviets. Clearly, we have the resources; it is a question of priorities.

As with nutrition, health care has primarily been a Federal/State responsibility. The municipal role has traditionally been ambulance service, health clinics, and increasingly public hospitals. Today, far too many Americans are without health care benefits. The prospect of a full-time job no longer means the head of the family will be able to provide for a sick child or for an accident.

Increasingly, when an American finds a job, he or she must play Russian roullette; in taking the job, his or her family loses access to the frayed Federal safety net. This is particularly a problem for AFDC recipients who wish to leave the welfare rolls, but whose only opportunities for employment are ones which lack health insurance.

Senator MOYNIHAN. Right.

Ms. REYNOLDS. As the face of our cities changes and we go more and more towards a service economy, more and more people displaced from well-paying industrial jobs are taking jobs in lower paying service industries where the employer does not provide health insurance, and the wages do not allow the individual to purchase it.

We oppose cuts in Medicaid. It ought to be expanded to cover the working poor. We believe the Federal Government must take the lead in designing not only catastrophic coverage but also in assuring that every American has access to health care benefits. We believe there ought to be better coordination for State and local preventative health care programs, that is, we ought to do better in reaching out in our own communities, particularly to pregnant mothers and families with young children. It is an investment which will save all our levels of Government fiscal and human pain.

We also believe there should be a careful review of Federal benefits provided to health care providers, especially hospitals, based on the levels of uncompensated care they actually provide. It is called dumping. And in recent years we have noted an increase of patients at public hospitals who have been turned away from profit and nonprofit hospitals.

While we view shelter, nutrition, and health as basic human rights, we believe that every American ought to be given an opportunity to succeed. Yet in recent years, we have seen an increase in poverty and a growing disparity between rich and poor. We have seen the growth of a new underclass of Americans—again, I say the working poor.

We are in the midst of potentially a generation of Americans who could succeed in finding full-time work yet earn less than half the poverty rate and would be ineligible for benefits. No longer is it sufficient to say workfare will succeed. Today many working Americans are in worse shape than those on welfare.

We believe that to restore dignity will require better education, better wages and benefits for a job, an improved public infrastructure, and continued Federal deficit reduction. We believe education to be primarily a State and local responsibility, and this is one area where there are signs of improvement.

We are also pleased at the Administration's recognition of the need for expanded job training efforts in coordination with State and local governments. This effort will not work, however, unless there are minimum Federal standards for jobs which provide both adequate minimum wage and health care benefits.

In your new capacity as Chairman of the Infrastructure Subcommittee, you are certainly aware of the extraordinary gap in our crumbling public infrastructure. It has been well documented, both from the number of bridges which a fully loaded school bus cannot cross to the more than $100 billion of municipal wastewater facilities which must be built before the end of the century.

Perhaps what has not been as well understood is that a continued deterioration of our public infrastructure carries enormous costs in terms of lost time and opportunities. If we are unwilling to make the needed investments in our roads, bridges, and clean water, businesses will find other places to invest, places where there is adequate access for goods to get to and from the market. Infrastructure is an issue which more and more affects those on welfare. Recently, the city of Philadelphia cut off water from 33,000 families.

Senator MOYNIHAN. It did what?

Ms. REYNOLDS. It is my understanding, sir, the water supply systems weren't up to snuff, and the money was not there to repair the infrastructure.

Senator MOYNIHAN. The oldest water supply system in the country is in the city of Philadelphia. They could do it in 1780; they can't do it in 1987.

Ms. REYNOLDS. Imagine that. Well, maybe we haven't changed so much through the years after all, Senator.

Senator MOYNIHAN. No, things seemed to have gotten worse.

Ms. REYNOLDS. More people; same system. It stretches just so far.

Between 1979 and 1986, Federal spending has increased, but it was cut in virtually every program impacting the poor; and we wonder why we have a poverty problem. During that period, we set unparalleled Federal deficits and trade deficits, so much so that we are now the largest debtor nation in the world. These tax and spending policies have meant that a disproportionate amount of Government spending is financed to borrowing. Too much of that borrowing comes from foreign nations, undercutting our control of our own destiny. Too much of our spending is devoted to paying off interest. Reducing our dependence on borrowing, especially on foreign borrowing, and ensuring that Federal spending can be on productive investment is a priority.

Today, we devote nearly one percent of our gross national product to pay interest on our foreign debt—again, lost opportunities, money and resources that could be used to educate and to make our people healthy.

We do not believe there is any magic answer. We do believe that the problems that confront us are so complex and so great that they must be led with proposals that lead to moderate and gradual changes to reeducate and make rehealthy our American people. We believe the recent trends can be reversed with the right amount of resources and political will applied to them.

We believe these programs should be paid for. We don't believe that we ought to go further in debt to upgrade our way of life in this country. We believe that taxes are the way things are paid for. We spend $116 billion on welfare related programs. State and local governments spend enormous amounts. States, in particular, have experienced dramatic increases in education and prison spending. Municipalities have experienced sharp increases in spending for infrastructure, education, and the homeless.

These increases are symptomatic of the problem. They are dollars too late. They are not investments; they are the results of inadequate investments.

Although we will not be testifying before the House Budget Committee until week after next, in meetings to set our own budget priorities until the end of February, the National League of Cities does have some suggestions.

The President's budget calls for an increase in supplemental and new appropriations for defense and foreign aid of nearly $30 billion, yet still claims to comply with the Gramm-Rudman target. In our view, the administration should submit a request for Federal tax increases to pay for such spending increases. We should neither borrow that amount nor take it from those Americans most in need.

The tax rate for the wealthiest Americans is scheduled to drop 28 percent next year. To be honest, our membership was dumbfounded that the Federal Government could actually be cutting individual and corporate taxes in the same year in which we set by far the largest Federal deficit ever recorded in our nation's history. We believe freezing current rates would be consistent with better Federal fiscal policy and would be more consistent with basic notions of fairness and progressivity.

While the new tax law restores low income Americans to the tax status they had in the 1970's, it provides a far more generous treatment to the nation's wealthiest citizens. It drops their tax rate to the lowest level in decades.

We would note that either extending the 33 percent rate, instead of having a bubble, or setting a top rate of 34 percent—to reduce tax motivated transaction from corporate to individual status—would produce substantial revenues for either deficit reduction or welfare reform investment.

Last year, consideration was given to increasing so-called sin taxes on cigarettes and alcohol. These products contribute significant costs in health care and crime at the Federal, State, and local levels. They produce little benefit. The benefits should be increased; the taxes should be increased. It would be a double-edged investment for us all.

I would like to add, Mr. Chairman, that having already run well over my time——

Senator **Moynihan**. No, you have not.

Ms. **Reynolds**. I have not?

Senator **Moynihan**. No, you have not.

Ms. **Reynolds**. Well, I have reached my last paragraph, Senator. All right.

Senator **Moynihan**. You have come from Colorado. You have spent 20 hours in an airport. You just take all the time you want.

Ms. **Reynolds**. All the time I want? Thank you. After 20 hours in the airport, however, I will conclude shortly because I am ready for our staff to buy me a good lunch. I figured they owe it to me.

Senator **Moynihan**. All right.

Ms. **Reynolds**. As I have advised you, we do believe reducing the Federal deficit is an integral part of any poverty solution. We need a strong economy, strong cities in order to deal with the problems of poverty in this country.

To sum up, we believe the goal should be public assistance that helps create healthy, educated populations, better able to care for themselves. Finance through tax money, not deficit spending, not adding to the national debt.

As to the method, we believe that strong parental and personal responsibility should be created through education, specifically targetted programs such as those dealing with drug eradication, and sexual and parenting education. We believe in enforcement of responsibilities, for example, child support. We believe in reinforcement of community-based programs for youth—scouting, et cetera—to reinstill pride and the sense of community and family in our young people.

We believe that all levels of Government have roles to play, and the roles vary with the programs. We pay now or we pay later. We believe we should pay now. We believe we must get new housing in the pipelines to take care of tomorrow's problems before they are tomorrow's crises.

We believe we are all responsible for proper nutrition, health care, and for direct assistance to those who absolutely need it.

The strategy, we believe, is to develop in this country a strong economy to investing in our future. The places we invest in our future is to invest in our people and our infrastructure. Strong people make a strong economy, and a strong economy makes a stronger America.

So, we don't believe we can talk about welfare, poverty, or welfare reform without talking also about the questions of housing, of health, of nutrition, of education and about the fabric of our society. It is cheaper now to pay the money required to do these things we have outlined than to leave a legacy of a welfare state forever for our children and our grandchildren.

We thank you very much for your time.

Senator **Moynihan**. We thank you, Madame President. I imagine you might want lunch, but you won't mind staying just for a moment?

Ms. **Reynolds**. Absolutely.

Senator MOYNIHAN. I have some comments and questions.

First of all, with respect to your remarks about the tax bill, might I just say that although it appears that we reduced the top rates, there was in fact a very considerable increase in the actual taxes paid for a very considerable number of persons because the system that we had evolved from with tax shelters and other things meant that some people just weren't paying taxes at all, whom you would have thought owed a great deal; and that bill came out of this committee.

For persons with adjusted gross incomes of $100,000 or more, half had a tax cut that was considerable; but half had a considerable tax increase, and you just saw the reality up there of those who made a lot and paid none.

In some of the new programs in recent years, while we have cut programs for the poor, my God, you may have noticed Texas—where your predecessor comes from—they just announced that the single largest recipient of farm subsidies under the Administration's program in Texas, a person received somewhat over $1 million cash who is the Crown Prince of Lichtenstein.

Ms. REYNOLDS. I read that.

Senator MOYNIHAN. An interesting idea—if you have got to help out, help out those needy aristocrats——

A couple of things. We have been looking for commonalities, and we are trying to find where we agree. There are two things that keep coming up. One is this view that Medicaid should be available to poor children generally; as we have said before, you could not think of anything dumber in the way of providing incentives than to say to a mother with dependent children and on welfare that if she gets out into the work force, she loses the medical care for her children.

You know, I have watched my wife raise three children in the course of 33 years or so, and what do mothers do? Mothers are said to do a lot of things, but in my personal experience, mothers look after sick children. There is always somebody who has just fallen down stairs, cut himself, gotten chicken pox, etcetera; and that is the life of a mother, as a custom, looking after the health of the children.

To lose health insurance—you know, to get out of the house and on with your own life—is sort of to ask yourself: Do I care more about me or do I care more about my children? And that is a dumb position to put a woman in, is it not?

Ms. REYNOLDS. The problem that we are running into now in those terms is true. The largest section of our needy population in Denver are the working poor. The people who have chosen, we believe, the right path to hold down a job, to do the best they can, and then they do not qualify, as you point out, for these programs.

Two things happen. One, children especially and pregnant women do not get the proper early care, and we end up paying a much larger price when the care becomes emergent, when we are dealing with trauma care as a problem develops.

Secondly, eventually the medical care is being paid; but rather than being paid for through the Federal systems to the established programs, they simply show up at our public hospitals. Denver General Hospital is a fine institution, and we provide more than 90 percent of the medically indigent care in Colorado. That is where these people show up. That is the $25 million that the city pays directly for health care for citizens of Denver for the working poor that drop through the Federal safety net.

Senator MOYNIHAN. In other words, they are showing up——

Ms. REYNOLDS. They show up in the emergency room.

Senator MOYNIHAN. The idea is to not let those children get so sick that they have to do that.

Ms. REYNOLDS. Denver has had a model program for many years of health clinics to deal with preventative care. As our budgets are becoming more strapped—the economy in my part of the country is not good at the moment—we are having to cut back. Where we have to cut back first is on the preventative programs, which we cannot obviously——

Senator MOYNIHAN. You pay now or you pay later.

Ms. REYNOLDS. Right.

Senator MOYNIHAN. It is that type of proposition, and so you really do pay later.

Ms. REYNOLDS. So, we are paying later, and we are paying greater costs.

Senator MOYNIHAN. Yes.

Ms. REYNOLDS. And we feel that there is a better way to handle it, and we are obviously searching with you for ways to address them.

Senator MOYNIHAN. I really want to thank you for your emphasis on housing. We haven't heard about that this morning. And you know, what in the devil is going on? At least, in the past we had certain uniformities. The Dow Jones reached 2,000, and everybody was happy; and thereafter, when there were problems, everybody was sleeping on the streets. Now you have got both. We know that the homeless reality is—a fair part is discharged mental patients and the Community Health Act of 1962, which I was involved with with President Kennedy; and we proceeded very much. We almost emptied out our mental institutions.

The idea was to provide community institutions that would receive them, and that would be substantive. And we did the one, and then we forgot about the other; and we look up a generation later, and you have this problem. But it is not just that problem. It is also the problem of poor persons without housing.

Ms. REYNOLDS. We estimate that only about 20 percent of the people in our homeless situation are the mental health patients.

Senator MOYNIHAN. Is that right? In Denver?

Ms. REYNOLDS. Yes. We were benefits of the catchment area theory, and we are still trying to recover from those benefits.

Senator MOYNIHAN. Yes.

Ms. REYNOLDS. And there was a time a few years back when most of the people that were homeless were either through that system through our lack of community health care or old-fashioned homeless men, generally alcoholics, a predictable population.

Senator MOYNIHAN. Like we have the Bowery problem.

Ms. REYNOLDS. That is not the truth any more. The truth is we are dealing with both men and women. We are dealing with mostly people who have had records in their lives of holding down jobs;

the jobs are gone; they have no recourse. And an incredible number of families—one and two parent families—children.

One of our fine private groups in Denver just opened up a brand new 250-bed place for the homeless. When they started building it a couple of years ago, they set aside a third of that for families. They are now finding that they need more than half of that for the families.

Senator Moynihan. You have hands-on responsibility for a great city. You know when you are dealing with a former mental patient; they are an individual and, alas, they are——

Ms. Reynolds. That is your revolving door policy because you really can't help them beyond shelter and food.

Senator Moynihan. And then, you know you have a certain population which is in ways a mentally distressed population that we associate with the single male, the skid row world that has been a part of our lives for a long time; but that is a very different thing. You speak of 20 percent as the discharged mental patients. When families appear homeless, that is bizarre. We haven't had that experience in this country.

Ms. Reynolds. It is not just a problem, Senator, to be discussed here or in the government buildings in Denver. There is now being petitioned onto the ballot in Denver for our May election a proposal that would say that the city and county of Denver must provide shelter for everyone, period, period, period. Now, that is a wonderful idea, and I have a hard time arguing about shelters, especially after I just read you such an eloquent statement for providing it.

The problem, of course, is that we have no way to provide enough shelter for everyone who comes to town, especially if we put up a lot of advertising, without some help. If that should pass, it will give us tremendous legal problems, an open-door expense that we as a city simply cannot foot.

But I think it demonstrates the public's awareness in the last year or two of the homeless problem, and it is no longer confined to the traditional homeless population.

Senator Moynihan. Yes, but what you don't want to have is to be the one city in America where, if you go there, you are going to be looked after. I mean, that is why this has to be a national effort.

Ms. Reynolds. Absolutely right.

Senator Moynihan. I want to ask you one last question. We early heard testimony from very distinguished Members of the—we still say "the other body"; they now say the Senate—that the reality was that the era of Federal-to-city and Federal-to-municipal grants is over. That is an era that began in the 1960's, and I was much involved in some of those things. Do you think that is the reality, or what?

Ms. Reynolds. I think that has certainly been the trend, Senator, in the last few years.

Senator Moynihan. On that chart, if you would look at that green line, and Senator Evans presented that in his opening testimony, that is Federal grants-in-aid to State and local governments since 1978, or 1976, I guess. You can see what has happened. I don't have to tell you that; it has happened in Denver. But it is striking, is it not?

Ms. **Reynolds**. I find it also a coincidence that, according to that chart, almost from the day I took office, the Federal role has declined; and I am not sure how responsible I want to feel personally for that.

There are still programs that go directly from the Federal Government to cities. There aren't many left, and there aren't certainly the numbers there used to be. It is a trend we would like to divert. Certainly, there is a very real partnership between the Federal Government and cities.

States are wonderful institutions and their roles are indispensable obviously in this form of government, but local government is where people live and where people are served. The Federal Government is the only body with the combined resources to deal with disparities. We have to be partners, and we will be, no matter how money is exchanged.

Senator **Moynihan**. That is the branch of government which reaches out and touches people.

Ms. **Reynolds**. That is right, if you want to live somewhere.

Senator **Moynihan**. Everyone lives somewhere. I suppose I wrote the Presidential message that proposed revenue sharing in 1969. Previously, the idea had been just to have the Federal Government send it to the States; and I thought, no, it needs to go directly to municipalities. And you can't use the great resources of American federalism if you don't give those units of government some resources.

Ms. **Reynolds**. Your leadership in these areas has been much appreciated by us for a very long while. We believe that the relationship is strained right now, and obviously there are money problems on both sides; but the relationships need to be maintained and strengthened if we are all going to survive into the future.

I think the Federal Government pretending that cities aren't important is ridiculous obviously because we create the wealth. We are where the people are. You know, we are you and you are us; and for the cities to simply throw up their hands in despair, as they are tempted to do occasionally by what goes on in Washington, is equally shortsighted because we are all connected in this vast ball game.

We are trying very hard as cities to reestablish and strengthen good relationships with the Congress, with The White House, with the Governors, State legislators, and county organizations because we are indeed doomed, I think, in terms of improving the situation if we are not all playing on the same side of the field.

Senator **Moynihan**. Let me suggest that you don't have to reestablish good relations with the Congress; you have them. There are 16,000 of you, and you have very nice. It was very nice of you to get on a plane in Colorado, through all that misery of travel on a wintry January day to be here. We are honored to have you, Madame President, and we thank you very much for your testimony.

Ms. **Reynolds**. Thank you, Mr. Chairman.

Senator **Moynihan**. Now, it is our greatest pleasure that Arthur Flemming has been able to get here. He always gets things done when everyone else finds it impossible. Dr. Flemming, we have one panel that will be heard from before your testimony, if there is anyone here who can present it.

The travel problems have been just so bad for so many people. Stephen Heintz wanted to come down from Connecticut to speak for the American Public Welfare Association. I don't think he has been able to make it. I have been told it was out of the question to even try. Has Robert Fulton of Oklahoma City arrived, also representing the Public Welfare Association? I think not. Mr. Sidney Johnson is here. Could you present their testimony, Mr. Johnson, as Dr. Bane presented that of Governor Cuomo? We welcome you, sir. Would you give our best regards to Mr. Fulton and Mr. Heintz? You see the condition of the Senate, and we understand their condition as well. Welcome, sir.

[The prepared written statement of Ms. Reynolds follows:]

STATEMENT OF
CATHY REYNOLDS, COUNCILWOMAN-AT-LARGE, DENVER, COLORADO
AND PRESIDENT OF
THE NATIONAL LEAGUE OF CITIES

JANUARY 23, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS CATHY REYNOLDS. I AM A COUNCILWOMAN FROM DENVER AND PRESIDENT OF THE NATIONAL LEAGUE OF CITIES. I AM TESTIFYING TODAY ON BEHALF OF THE PUBLICLY ELECTED OFFICIALS OF 16,000 OF THE NATION'S CITIES AND TOWNS.

WE ARE GRATEFUL FOR YOUR LEADERSHIP ON THIS ISSUE, MR. CHAIRMAN, FOR WE KNOW OF ALMOST NO NATIONAL LEADER WITH MORE EXPERIENCE, PERSPECTIVE, OR CONCERN--NOR WITH A BETTER UNDERSTANDING OF OUR FEDERAL SYSTEM.

TO THE NATION'S MUNICIPAL LEADERS, IMPROVING OUR WELFARE SYSTEM IS A CRITICAL ISSUE WHICH WILL REQUIRE NEW INVESTMENT, DEDICATION, AND COORDINATION AT ALL LEVELS OF GOVERNMENT. FOR MUNICIPALITIES, THE EROSION OF OUR EXISTING SAFETY NET IS OF PARTICULAR CONCERN: IT IS OUR ROLE IN OUR SYSTEM OF GOVERNMENT TO RESPOND TO THE PEOPLE FOR WHOM THE SYSTEM HAS FAILED.

FOR US, THE FAILURES OF OUR CURRENT SYSTEM CREATE MASSIVE INVESTMENTS AT THE MUNICIPAL LEVEL TO RESPOND TO HUMAN MISERY. WHEN THE MEDICAL CRISIS, THE DRUG-RELATED MURDER, THE EVICTION, OR THE EXHAUSTION OF FOOD IS REACHED, CRISIS INTERVENTION FALLS TO THE LOCAL GOVERNMENT.

EVERY DOLLAR WE SPEND AT THE MUNICIPAL LEVEL TO DEAL WITH A SYMPTOM OF POVERTY IS A DOLLAR WE CANNOT SPEND TO PREVENT THE CAUSE. FROM OUR PERSPECTIVE, WE SEE THE ULTIMATE RESULTS OF INADEQUATE INVESTMENT, AND YET WE BEAR THE GREATEST RESPONSIBILITY, AND THUS HAVE THE GREATEST STAKE IN IMPROVING THE SYSTEM.

BASIC PRINCIPLES AND GOALS

FIRST, WE BELIEVE THERE OUGHT TO BE A MORAL COMMITMENT TO HUMAN DIGNITY. EVERY AMERICAN SHOULD BE ELIGIBLE FOR A MINIMUM STANDARD OF LIVING PROVIDING ADEQUATE SHELTER, NUTRITION, AND HEALTH CARE.

SECOND, EVERY AMERICAN SHOULD HAVE THE OPPORTUNITY TO LIFT HIMSELF OR HERSELF AND FAMILY OUT OF POVERTY.

THIRD, OUR COUNTRY MUST REWARD THOSE WHO WORK.

FOURTH, WE MUST INVEST IN OUR SINGLE MOST IMPORTANT RESOURCE: OUR CHILDREN.

FIFTH, ANY FEDERAL WELFARE REFORM PROPOSAL MUST PROVIDE FOR COMPREHENSIVE COORDINATION BETWEEN ALL LEVELS OF GOVERNMENT.

WE ARE, WITHOUT QUESTION, THE RICHEST AND MOST POWERFUL NATION ON EARTH. WE ARE A NATION WHICH APPARENTLY HAS THE IMAGINATION AND THE FISCAL, CREATIVE, AND TECHNICAL RESOURCES TO PUT NUCLEAR WEAPONS INTO GOD'S HEAVENS. AND YET TODAY NEARLY ONE OUT OF EVERY FOUR INFANTS IS BORN INTO POVERTY.

We have unacceptable rates of infant mortality--higher in some of our cities than third world nations. All too many of those infants who live have already have been condemned by inadequate maternal health care and nutrition. These children will become a more and more expensive burden to our society: a human waste caused by our own disinvestment.

Our goal must be to insure that no American child is denied the opportunity to succeed.

How Parental Responsibility for the Care of Children Can Be Better Enforced

Finding methods to increase parental responsibility is crucial. In this area, almost more than any other, coordination between all layers of government and the private sector is a prerequisite.

First, this is an area which will require a greater federal investment in the programs that have proven effective. We believe these issues are well addressed in Title I of the Chidren's Survival bill.

Second, we believe the federal government must provide targeted fiscal assistance to units of local government so that we have the ability to provide better special needs and preventative services.

As the level of government closest to families, and as the level ultimately responsible, local governments need basic levels of resources to meet human needs.

YET THERE IS A WIDESPREAD DISPARITY THROUGHOUT THE NATION--ESPECIALLY IN CENTRAL CITIES AND RURAL CITIES AND TOWNS: THE MUNICIPALITIES WITH DISPROPORTIONATE LEVELS OF POVERTY AND, THEREFORE, INADEQUATE TAX BASES AND FISCAL RESOURCES.

LAST YEAR A LOCAL GOVERNMENT IN OKLAHOMA SET A POLICY GUIDELINE FOR ITS CHILD ABUSE UNIT. IF AN EMPLOYEE DETERMINED THAT A CHILD CALLING IN AN EMERGENCY ABUSE CASE WAS OLD ENOUGH TO PHYSICALLY ESCAPE, THERE WAS TO BE NO IMMEDIATE RESPONSE. THERE SIMPLY WAS NOT ENOUGH MONEY.

LAST WEEK, THE NEW YORK TIMES REPORTED SIGNIFICANT INCREASES IN HOMICIDES IN CENTRAL CITIES--ESPECIALLY AMONG TEENAGERS. THIS YEAR THESE SAME CENTRAL CITIES WILL HAVE SEVERELY REDUCED RESOURCES. A CITY SUCH AS DETROIT RECEIVED NEARLY 8 TIMES AS MUCH IN REVENUE SHARING PER CAPITA AS WEALTHY SUBURBAN JURISDICTIONS--AND MOST CENTRAL CITIES DEVOTED THEIR REVENUE SHARING TO POLICE AND FIRE SERVICES. THE LOSS OF REVENUE SHARING IS LIKELY TO MAKE CENTRAL CITY SAFETY EVEN MORE DIFFICUT.

POVERTY ERODES A MUNICIPALITY'S TAX BASE, BUT INCREASES THE DEMANDS FOR HUMAN SERVICES--ESPECIALLY CHILD ABUSE, DRUG AND ALCOHOL RELATED ABUSE, ARSON, AND VIOLENT CRIME. WITHOUT SOME MEANS TO RESPOND TO INCREASING FISCAL DISPARITIES BETWEEN REGIONS AND MUNICIPALITIES, WE FEAR THE POSSIBILITY OF EVEN MORE VICIOUS CYCLES.

THIRD, WE BELIEVE STATES MUST CONTINUE TO COMMIT INCREASED LEGAL AND FISCAL RESOURCES TO ENFORCEMENT, ESPECIALLY POST-ADJUDICATION ENFORCEMENT, FOR CHILD-SUPPORT.

FOURTH, WE BELIEVE THAT ALL LEVELS OF GOVERNMENT NEED TO COORDINATE NEW RESOURCES TO EARLIER AND LATER EDUCATION RELATING TO FAMILIES. THAT IS, WE NEED TO PROVIDE MUCH BETTER EFFORTS TO TEACH TEENAGERS AND YOUNG PARENTS--SINGLE OR MARRIED--ABOUT THE RESPONSIBILITY OF PARENTHOOD. AND WE NEED TO PROVIDE HEAD START SERVICES--IN COORDINATION WITH NUTRITION AND HEALTH CARE--MUCH SOONER. WE CANNOT AFFORD TO NEGLECT CHILDREN UNTIL THEY ENTER KINDERGARTEN; A CHILD'S CHANCES OF MAKING A POSITIVE CONTRIBUTION TO OUR SOCIETY MIGHT ALREADY BE IRREMEDIABLY HARMED.

THE CITY OF MINNEAPOLIS HAS FOUND THAT EVERY DOLLAR INVESTED IN PRESCHOOL PROGRAMS RETURNS 4 DOLLARS TO THE COMMUNITY IN TERMS OF REDUCED GOVERNMENT COSTS FOR EDUCATION AND LEGAL COSTS FOR DELINQUENT BEHAVIOR AS WELL AS INCREASED ECONOMIC OPPORTUNITIES FOR THE CHILDREN. THE CITY OF ALEXANDRIA HAS FOUND THAT POOR, NEW PARENTS ARE OFTEN THE LEAST WELL-EQUIPPED TO UNDERSTAND THE RESPONSIBILITIES OF PARENTHOOD AND THE IMPORTANCE OF EARLY EDUCATION.

FIFTH, WE BELIEVE THAT ALL OF US WHO CLAIM TO BE LEADERS NEED TO RETHINK OUR OWN ROLES AND RESPONSIBILITIES. WE NEED TO ENCOURAGE, PARTICIPATE, AND WORK WITH PRIVATE AND NON-PROFIT ORGANIZATIONS WHICH TRADITIONALLY HAVE HELPED BRING FAMILIES TOGETHER IN OUR COMMUNITIES TO TEACH BETTER PARENTAL RESPONSIBILITIES.

OUR IMMEDIATE PAST PRESIDENT, MAYOR HENRY CISNEROS SUGGESTED THAT WE COULD ALL DEVOTE MORE TIME AND EFFORT TO ENCOURAGING THE

SCOUTS, THE YM AND WCA'S, AND OTHERS WHO THROUGH THE YEARS HAVE WORKED SO HARD TO DEVELOP A SENSE OF COMMUNITY AND VALUES FOR FAMILIES IN OUR COMMUNITIES.

WHAT ROLES SHOULD VARIOUS LEVELS OF GOVERNMENT PLAY?

ALMOST ALL OF THE 33 MILLION AMERICANS WHO LIVE IN POVERTY LIVE IN THE NATION'S CITIES AND TOWNS. SIXTY-ONE PERCENT LIVE IN METROPOLITAN AREAS, THE OTHERS LIVE IN RURAL TOWNS AND CITIES.

THUS, MUNICIPALITIES HAVE THE FRONT LINE ROLE IN ANY WAR ON POVERTY. CONSEQUENTLY, WE BELIEVE THAT ANY SUGGESTION THAT ALL CURRENT MUNICIPAL PROGRAMS SHOULD BE ELIMINATED IS IRRESPONSIBLE AND WOULD EXACERBATE, RATHER THAN ALLEVIATE POVERTY.

RATHER, WE BELIEVE ALL LEVELS OF GOVERNMENT MUST COORDINATE AND COOPERATE. IN THAT REGARD, MR. CHAIRMAN, I AM VERY PLEASED TO REPORT THAT THE NATIONAL LEAGUE OF CITIES HAS BEEN INVITED TO WORK WITH THE NATIONAL GOVERNORS' ASSOCIATION AS THEY PREPARE THEIR COMPREHENSIVE FEDERAL WELFARE REFORM PROPOSAL--A PROPOSAL, I SHOULD ADD, WHICH WOULD NOT INVOLVE THE SO-CALLED "DEVOLUTION" OF MUNICIPAL PROGRAMS.

THE ROLES OF THE ALL LEVELS OF GOVERNMENT WILL VARY DEPENDING UPON THE PROGRAM, BUT ALL INVOLVE A MINIMUM FEDERAL ROLE:

HOUSING

THE COST AND ACCESS TO DECENT, SAFE AND SANITARY SHELTER IS THE SINGLE MOST IMPORTANT DETERMINANT SHAPING A FAMILY.

In our nation, ensuring such shelter for all American families has been a federal goal for almost 50 years. A home is the critical shelter under which a family is built.

The provision of low income housing has been almost uniquely a federal-local responsibility. It is one in which few states have played almost any significant role, except for the issuance of single and multifamily mortgage revenue bonds.

Municipalities are operators of public housing and homeless shelters, and are responsible through zoning, code enforcement, and community development for the shape of housing for all our constituents.

Yet shelter for all Americans is a goal to which the federal government has increasingly turned its back. In no area of federal policy have there been deeper cuts.

The evolution of federal housing policy--direct and through the federal tax code--since 1979 has radically altered the shape of federal policy. It has reaped record numbers of homeless families and children, overcrowded housing, and exorbitant costs.

Still to come is an even worse crisis. As the existing pipeline of housing runs out over the next few years, hundreds of thousands of families will be displaced. We literally have a time bomb just waiting to explode.

I would note for the committee our special concern for shelter. Paying the rent has almost always taken precedence over paying for adequate preventative health care, child care, or nutrition. If we cannot provide shelter, than all else is at risk.

AT THE FEDERAL LEVEL, WE BELIEVE THREE STEPS ARE CRITICAL:

FIRST, THE FEDERAL GOVERNMENT MUST RECOMMIT ITSELF TOWARDS THE NATIONAL GOAL SET IN THE LAW BY REAUTHORIZING THE NATION'S EXPIRED HOUSING AND COMMUNITY DEVELOPMENT LAWS AND SETTING A FIRM GOAL OF PROVIDING NEW HOUSING. WE BELIEVE PROPOSALS TO FUND WELFARE REFORM THROUGH THE TERMINATION OF FEDERAL LOW INCOME HOUSING ASSISTANCE WOULD BE DEVASTATING. SIMILARLY, WE BELIEVE A FAILURE TO ADDRESS THE TICKING TIME BOMB WILL MAKE TODAY'S HOMELESS PROBLEMS AND COSTS APPEAR ALMOST NON-EXISTENT COMPARED WITH FUTURE PROBLEMS AND COSTS.

SECOND, FAMILIES WHO CANNOT AFFORD TO OWN A FIRST OR VACATION HOME OUGHT TO RECEIVE AT LEAST AS MUCH ASSISTANCE THROUGH DIRECT AND TAX EXPENDITURES AS THOSE AMERICANS WHO ARE FORTUNATE ENOUGH TO OWN CURRENTLY DO. SINCE 1979 FEDERAL HOUSING POLICY HAS INCREASINGLY SHUT OFF THOSE MOST IN NEED, WHILE OVERALL EXPENDITURES HAVE ACTUALLY INCREASED. THE RECENTLY ENACTED TAX REFORM LEGISLATION AGGRAVATED THE DISPARITY. WE EXPECT IT WILL INCREASE RENTAL COSTS FOR LOW INCOME AMERICANS BETWEEN 15-30 PERCENT--IN MANY CASES FAR IN EXCESS OF THE TAX RELIEF REALIZED. WE STRONGLY SUPPORT EFFORTS TO RE-ADDRESS SENATOR MITCHELL'S LOW INCOME HOUSING TAX CREDIT PROPOSAL TO ENSURE THAT IT IS WORKABLE AND REACHES MANY MORE OF THOSE IN NEED.

THIRD, WE URGE AMENDING TITLE VIII OF THE FAIR HOUSING ACT TO PROHIBIT HOUSING DISCRIMINATION AGAINST FAMILIES WITH CHILDREN. NOT ONLY DOES SUCH DISCRIMINATION CAUSE UNDUE HARDSHIPS FOR FAMILIES ON WELFARE, BUT ALSO IT INCREASES THE COST OF WHAT SHELTER IS OPEN TO SUCH FAMILIES.

I NOTE THIS PARTICULARLY, MR. CHAIRMAN, BECAUSE HOUSING DISCRIMINATION IS AN ISSUE WHICH MANY CITIES ARE HELPLESS TO ADDRESS. FOR INSTANCE, THE PREVIOUS ADMINISTRATION IN THE COMMONWEALTH OF VIRGINIA SIGNED LEGISLATION WHICH SPECIFICALLY PERMITS SUCH DISCRIMINATION AND PREEMPTS ANY MUNICIPAL AUTHORITY TO THE CONTRARY.

PASSAGE OF SUCH LEGISLATION WOULD BE A DESERVING HONOR FOR THE YEARS AND YEARS OF EFFORTS OF YOUR FORMER COLLEAGUE CHARLES MAC MATHIAS.

NUTRITION

SOUP KITCHENS ARE NO LONGER A MEMORY. HUNGER IS A VERY REAL PART OF AMERICA TODAY. IT IS A NEW RESPONSIBILITY FOR MUNICIPALITIES.

THE CUTS IN FEDERAL NUTRITION PROGRAMS, ESPECIALLY FOR SCHOOL CHILDREN, WOMEN, AND INFANTS SHARPLY CONTRAST WITH THE EXTRAORDINARY GROWTH IN FEDERAL FARM SUBSIDIES, THE OVERSUPPLY OUR NATION PRODUCES, AND, MOST RECENTLY, THE ADMINISTRATION'S OFFER TO SUBSIDIZE GRAIN COSTS TO THE SOVIETS.

CLEARLY WE HAVE THE RESOURCES: IT IS A QUESTION OF PRIORITIES.

HEALTH

AS WITH NUTRITION, HEALTH CARE HAS PRIMARILY BEEN A FEDERAL--STATE RESPONSIBILITY. THE MUNICIPAL ROLE HAS TRADITIONALLY BEEN AMBULANCE SERVICE, HEALTH CLINICS, AND, INCREASINGLY, PUBLIC HOSPITALS.

TODAY, FAR TOO MANY AMERICANS ARE WITHOUT ANY HEALTH CARE BENEFITS. THE PROSPECT OF A FULL TIME JOB NO LONGER MEANS A HEAD OF FAMILY WILL BE ABLE TO PROVIDE FOR A SICK CHILD, OR FOR AN ACCIDENT. INCREASINGLY, WHEN AN AMERICAN FINDS A JOB, HE OR SHE MUST PLAY RUSSIAN ROULETTE: FOR IN TAKING A JOB, HIS OR HER FAMILY LOSES ACCESS TO THE FRAYED FEDERAL SAFETY NET. THIS IS PARTICULARLY A PROBLEM FOR AFDC RECIPIENTS WHO WISH TO LEAVE THE WELFARE ROLLS, BUT WHOSE ONLY OPPORTUNITIES FOR EMPLOYMENT ARE ONES WHICH LACK HEALTH INSURANCE COVERAGE.

WE OPPOSE ANY CUTS IN MEDICAID. IT OUGHT TO BE EXPANDED TO COVER THE WORKING POOR. WE BELIEVE THE FEDERAL GOVERNMENT MUST TAKE THE LEAD IN DESIGNING NOT ONLY A CATASTROPHIC COVERAGE PROGRAM, BUT ALSO IN ASSURING THAT EVERY AMERICAN HAS ACCESS TO HEALTH CARE BENEFITS.

WE BELIEVE THAT THERE OUGHT TO BE BETTER COORDINATION AND SUPPORT FOR STATE AND LOCAL PREVENTATIVE HEALTH CARE PROGRAMS--THAT IS, WE OUGHT TO DO BETTER IN REACHING OUT IN OUR OWN COMMUNITIES, PARTICULARLY TO PREGNANT MOTHERS AND FAMILIES WITH YOUNG CHILDREN. IT IS AN INVESTMENT WHICH WILL SAVE ALL OUR LEVELS OF GOVERNMENT FISCAL AND HUMAN PAIN DOWN THE ROAD.

WE ALSO BELIEVE THAT THERE SHOULD BE A CAREFUL REVIEW OF FEDERAL BENEFITS PROVIDED TO HEALTH CARE PROVIDERS--ESPECIALLY HOSPITALS--BASED UPON THE LEVELS OF UNCOMPENSATED CARE THEY ACTUALLY PROVIDE. IN RECENT YEARS WE HAVE NOTED AN INCREASE OF PATIENTS AT PUBLIC HOSPITALS WHO HAVE BEEN TURNED AWAY FROM PROFIT AND NON-PROFIT HOSPITALS.

OPPORTUNITIES

WHILE WE VIEW SHELTER, NUTRITION, AND HEALTH AS BASIC HUMAN RIGHTS; WE BELIEVE THAT EVERY AMERICAN OUGHT TO BE GIVEN THE OPPORTUNITY TO SUCCEED.

YET, IN RECENT YEARS, WE HAVE SEEN AN INCREASE IN POVERTY AND A GROWING DISPARITY BETWEEN RICH AND POOR. WE HAVE SEEN THE GROWTH OF A NEW UNDERCLASS OF AMERICANS: THE WORKING POOR. WE ARE IN THE MIDST OF POTENTIALLY A GENERATION OF AMERICANS WHO COULD SUCCEED IN FINDING FULL TIME WORK, YET EARN LESS THAN HALF THE POVERTY RATE AND BE INELIGIBLE FOR ANY BENEFITS.

NO LONGER IS IT SUFFICIENT TO SAY WORKFARE WILL SUCCEED. TODAY MANY WORKING AMERICANS ARE IN WORSE SHAPE THAN THOSE ON WELFARE. INDEED, GETTING A JOB IS OFTEN LIKELY TO MEAN GIVING UP ONE'S FAMILY'S HEALTH CARE BENEFITS.

WE BELIEVE THAT TO RESTORE DIGNITY WILL REQUIRE: BETTER EDUCATION, BETTER WAGES AND BENEFITS FOR ANY JOB, AN IMPROVED PUBLIC INFRASTRUCTURE, AND CONTINUED FEDERAL DEFICIT REDUCTION.

WE BELIEVE EDUCATION TO BE PRIMARILY A STATE AND LOCAL RESPONSIBILITY, AND THIS IS ONE AREA WHERE THERE ARE SIGNS OF IMPROVEMENT.

WE ARE PLEASED AT THE ADMINISTRATION'S RECOGNITION OF THE NEED FOR EXPANDED JOB TRAINING EFFORTS IN COORDINATION WITH STATE AND LOCAL GOVERNMENTS. THIS EFFORT WILL NOT WORK, HOWEVER, UNLESS THERE ARE MINIMUM FEDERAL STANDARDS FOR JOBS WHICH PROVIDE BOTH AN ADEQUATE MINIMUM WAGE AND HEALTH CARE BENEFITS.

IN YOUR NEW CAPACITY AS CHAIRMAN OF THE INFRASTRUCTURE SUBCOMMITTEE, YOU ARE CERTAINLY AWARE OF THE EXTRAORDINARY GAP IN OUR CRUMBLING PUBLIC INFRASTRUCTURE. IT HAS BEEN WELL DOCUMENTED, BOTH FROM THE NUMBER OF BRIDGES WHICH A FULLY-LOADED SCHOOL BUS CANNOT CROSS TO THE MORE THAN $100 BILLION OF MUNICIPAL WASTEWATER FACILITIES WHICH MUST BE BUILT BEFORE THE END OF THE CENTURY.

PERHAPS WHAT HAS NOT BEEN AS WELL UNDERSTOOD IS THAT A CONTINUED DETERIORATION OF OUR PUBLIC INFRASTRUCTURE CARRIES ENORMOUS COSTS IN TERMS OF LOST TIME AND OPPORTUNITIES. IF WE ARE UNWILLING TO MAKE THE NEEDED INVESTMENTS IN OUR ROADS, BRIDGES, PUBLIC TRANSPORTATION SYSTEMS, AND CLEAN WATER; BUSINESS WILL FIND OTHER PLACES TO INVEST - PLACES WHERE THERE IS ADEQUATE ACCESS FOR GOODS TO GET TO AND FROM THE MARKET.

INFRASTRUCTURE IS AN ISSUE WHICH MORE AND MORE AFFECTS THOSE ON WELFARE TOO. RECENTLY THE CITY OF PHILADELPHIA CUT OFF WATER FOR SOME 33,000 FAMILIES. CUTS IN INFRASTRUCTURE PROGRAMS REQUIRE SUBSTANTIAL INCREASES IN USER FEES - WHICH ARE FAR MORE REGRESSIVE - IN ORDER FOR MUNICIPALITIES TO PROVIDE BASIC PUBLIC UTILITIES AND SERVICES.

BETWEEN 1979 AND 1986 FEDERAL SPENDING INCREASED SHARPLY, BUT IT WAS CUT IN VIRTUALLY EVERY PROGRAM IMPACTING THE POOR. DURING THAT PERIOD, WE SET UNPARALLELED FEDERAL DEFICITS AND TRADE DEFICITS - SO MUCH SO THAT WE ARE NOW THE NUMBER ONE DEBTOR NATION IN THE WORLD.

THESE TAX AND SPENDING POLICIES HAVE MEANT THAT A DISPROPORTIONATE AMOUNT OF GOVERNMENT SPENDING IS FINANCED THROUGH BORROWING. TOO MUCH OF THAT BORROWING COMES FROM FOREIGN NATIONS, UNDERCUTTING OUR CONTROL OVER OUR OWN DESTINY. TOO MUCH OF OUR FEDERAL SPENDING IS DEVOTED TO PAYING OFF INTEREST ON THE FEDERAL DEBT.

REDUCING OUR DEPENDENCE UPON BORROWING - ESPECIALLY FOREIGN BORROWING - AND INSURING THAT FEDERAL SPENDING CAN BE ON PRODUCTIVE INVESTMENT IS A PRIORITY. TODAY WE DEVOTE NEARLY 1 PERCENT OF OUR GNP TO PAY INTEREST ON OUR FOREIGN DEBT, REDUCING OUR CAPACITY TO INVEST IN NEW PLANTS AND EQUIPMENT. TO THE EXTENT THAT WE DEPEND UPON FOREIGN INVESTORS TO FINANCE OUR NATIONAL DEBT, OUR CITIES BECOME MORE AND MORE DEPENDENT UPON THEIR WILLINGNESS TO INVEST AS OPPOSED TO OUR OWN ABILITY TO CREATE.

THE EFFECTIVENESS OF OUR PROPOSALS IN STRENGTHENING FAMILIES AND REDUCING DEPENDENCY

WE DO NOT BELIEVE THERE IS ANY MAGIC ANSWER. RATHER, THE PROBLEMS THAT CONFRONT US ARE SO COMPLEX AND SO GREAT, WE BELIEVE OUR PROPOSALS WOULD ONLY LEAD TO MODEST CHANGES.

NEVERTHELESS, WE BELIEVE REVERSING RECENT TRENDS IS IMPORTANT. WE WOULD RATHER A MEASURED, STEADY APPROACH THAN AN ABRUPT CHANGE IN OUR INTERGOVERNMENTAL SYSTEM WHICH PROMISES UNREACHABLE RESULTS. WE CANNOT AFFORD TO EXPERIMENT WITH SO MUCH AT STAKE.

HOW CAN OUR PROPOSALS BE IMPLEMENTED AT A TIME OF FISCAL RESTRAINT?

WE WILL PAY FOR THE PROBLEMS AND DEGRADATION OF POVERTY, NO MATTER WHAT. THE ONLY QUESTION IS WHEN AND HOW - NOW OR LATER.

WITHOUT QUESTION, WE VIEW AN INVESTMENT NOW AS ONE WHICH WILL SAVE FAR MORE LATER. INDEED, PERHAPS THE BETTER QUESTION IS: CAN WE AFFORD NOT TO?

THE FEDERAL GOVERNMENT CURRENTLY SPENDS ABOUT $116 BILLION ON WELFARE RELATED PROGRAMS. STATES AND LOCAL GOVERNMENTS SPEND ENORMOUS AMOUNTS THEMSELVES. STATES, IN PARTICULAR, HAVE EXPERIENCED DRAMATIC INCREASES IN EDUCATION AND PRISON SPENDING, WHILE MUNICIPALITIES HAVE EXPERIENCED SHARP INCREASES IN SPENDING FOR INFRASTRUCTURE, EDUCATION, AND THE HOMELESS.

THE INCREASES IN SPENDING FOR PRISONS AND THE HOMELESS ARE SYMPTOMATIC OF THE PROBLEM: THEY ARE DOLLARS TOO LATE. THEY ARE NOT INVESTMENTS, BUT RATHER ARE THE RESULTS OF INADEQUATE INVESTMENTS.

ALTHOUGH WE WILL NOT BE TESTIFYING BEFORE THE HOUSE BUDGET COMMITTEE UNTIL THE WEEK AFTER NEXT AND MEETING TO SET OUR OWN BUDGET PRIORITIES UNTIL THE END OF FEBRUARY, WE DO HAVE SOME SUGGESTIONS.

THE PRESIDENT'S BUDGET CALLS FOR AN INCREASE IN SUPPLEMENTAL AND NEW APPROPRIATIONS FOR DEFENSE AND FOREIGN AID OF NEARLY $30 BILLION, YET STILL CLAIMS TO COMPLY WITH THE GRAMM-RUDMAN TARGET. IN OUR VIEW, THE ADMINISTRATION SHOULD SUBMIT A REQUEST FOR

FEDERAL TAX INCREASES TO PAY FOR SUCH SPENDING INCREASES. WE SHOULD NEITHER BORROW THAT AMOUNT, NOR TAKE IT FROM THOSE AMERICANS MOST IN NEED.

THE TAX RATE FOR THE WEALTHIEST AMERICANS IS SCHEDULED TO DROP 28 PERCENT NEXT YEAR. TO BE HONEST, OUR MEMBERSHIP WAS DUMBFOUNDED THAT THE FEDERAL GOVERNMENT COULD ACTUALLY BE CUTTING INDIVIDUAL AND CORPORATE TAXES IN THE SAME YEAR IN WHICH WE SET BY FAR THE LARGEST FEDERAL DEFICIT EVER RECORDED IN OUR NATION'S HISTORY. WE BELIEVE FREEZING CURRENT RATES WOULD BE CONSISTENT WITH BETTER FEDERAL FISCAL POLICY AND WOULD BE MORE CONSISTENT WITH BASIC NOTIONS OF FAIRNESS AND PROGRESSIVITY.

WHILE THE NEW TAX LAW RESTORES LOW INCOME AMERICANS TO THE TAX STATUS THEY HAD IN THE MID-1970'S, IT PROVIDES A FAR MORE GENEROUS TREATMENT TO THE NATION'S WEALTHIEST CITIZENS. IT DROPS THEIR TAX RATES TO THE LOWEST LEVELS IN DECADES.

WE WOULD NOTE THAT EITHER EXTENDING THE 33 PERCENT RATE - INSTEAD OF HAVING A BUBBLE - OR SETTING A TOP RATE OF 34 PERCENT - TO REDUCE TAX MOTIVATED TRANSACTION FROM CORPORATE TO INDIVIDUAL STATUS - WOULD PRODUCE SUBSTANTIAL REVENUES FOR EITHER DEFICIT REDUCTION OR WELFARE REFORM INVESTMENT.

LAST YEAR CONSIDERATION WAS GIVEN TO INCREASING SO-CALLED SIN TAXES ON CIGARETTES AND ALCOHOL. THESE PRODUCTS CONTRIBUTE SIGNIFICANT COSTS IN HEALTH CARE AND CRIME AT THE FEDERAL, STATE, AND MUNICIPAL LEVEL; THEY PRODUCE LITTLE BENEFIT. THE BENEFIT SHOULD BE INCREASED. IT WOULD BE A DOUBLE-EDGED INVESTMENT FOR US ALL.

I WOULD LIKE TO ADD, MR. CHAIRMAN, THAT DUE TO THE TIME CONSTRAINTS I CANNOT COVER ALL OUR BUDGET CONCERNS. AS I ADVISED YOU, HOWEVER, WE BELIEVE REDUCING THE FEDERAL DEFICIT IS A PART OF THE SOLUTION. THEREFORE, THE INITIATIVES IN INFRASTRUCTURE AND HOUSING WHICH THE NLC IS DEVELOPING ARE INTENDED TO BE REVENUE NEUTRAL.

THANK YOU, MR. CHAIRMAN. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

STATEMENT OF A. SIDNEY JOHNSON III, EXECUTIVE DIRECTOR, AMERICAN PUBLIC WELFARE ASSOCIATION, WASHINGTON, DC

Mr. **Johnson**. Thank you, Mr. Chairman. My name is Sidney Johnson. I am the Executive Director of the American Public Welfare Association. Our association membership includes the 50 States human service departments, almost 1,000 local human service departments, and about 6,000 individuals working in those departments or otherwise interested in public welfare.

I would like to begin, Mr. Chairman, by commending you for holding these hearings and for your continued national leadership on behalf of welfare reform. I appreciate the opportunity to appear here and will be brief.

Senator **Moynihan**. We will see that your testimony is placed in the record in full.

Mr. **Johnson**. Fine. What I would like to do first is to apologize for Stephen Heintz and Bob Fulton who were scheduled to testify today for APWA. They are in their home States, unable to get here due to the snow storm.

Senator **Moynihan**. No apologies are in order.

Mr. **Johnson**. If I may, I would like to very briefly summarize the major points of our proposal and request, if you are willing, that Mr. Heintz and Mr. Fulton be able to come at a later date and present their testimonies.

Senator **Moynihan**. Most assuredly. They would be most welcome.

Mr. **Johnson**. That would be wonderful. Let me start with an explanation of the origin of our welfare reform proposal, which is unique in the 56-year history of our organization.

The commissioners of human services from the States were frustrated 2 years ago with the extent to which their lives were filled with reacting to developments like budget cuts or Federal regulations. They were reacting and coping, not initiating. So, they decided that they wanted to set some of their time aside to be proactive. They met with a futurist, and he asked them what issue they were most interested in.

Their issue—the same issue as your excellent book, Family and Nation addressed—was childhood poverty and the families in poverty. They decided that they would create a project of their own to address it, that they would create a steering committee of 18 commissioners who would work personally on this, that they would take of their own time to meet 8 or 10 times a year, and that they would, in addition to the dues that they pay to our association, each contribute more so there would be a small staff to help work on this project.

That kind of initiative is something that I admire.

They put together a committee that was diverse geographically, politically, and in urban/rural balance. They worked for a year and a half, and their proposals—which my testimony represents—were unanimously adapted by National Council of State Human Service Administrations of the American Public Welfare Association.

The goal of our proposals is to reduce the number of children living in poverty by promoting self-sufficiency and strengthening families. Our approach is based on two beliefs: first, that there is a mutual responsibility between individuals and society for self-sufficiency, and the primary responsibility lies with the individual, and the supplementary responsibility with society; second, as you know well, we believe these problems are incredibly complex and interconnected and that the solutions must be comprehensive in nature.

Our proposal is called a family investment program; and if I might, I would just like to touch on the elements of it.

Senator MOYNIHAN. Yes. Go ahead.

Mr. JOHNSON. We begin with the concept of a client/agency contract around employment or education or whatever strategy might be best for that client. The client has obligations to go to school or get a job or go to job training; the agency has the responsibility to support with child care and related services as needed.

The second element is a major welfare to jobs program, building on WIN demonstration, of which you have been such a strong leader. A third is a nationally mandated, State-specific family living standard, which is an effort to replace the poverty line as a measure by taking a market basket of goods and services and having them priced within each State—permitting differences between urban and rural areas in States where housing can vary so tremendously—and to base cash assistance on that State-specific standard. It would also cover two-parent as well as one-parent families.

Fourth, we propose aggressive child support enforcement efforts. Fifth, stronger public school programs for low income families and preschool programs and quality child care for low income children. Sixth, we propose returning to the concept of case management in human service agencies where a worker has the responsibility to help and to follow the progress or lack of progress of a client, to pull together into a single package the different agencies needed whether it is child care or health or whatever. In short, to have someone accountable for everything that happens in that case.

Finally, we have a strong recommendation for improved adolescent pregnancy programs, both to prevent first pregnancy and to postpone and prevent subsequent pregnancies. I might add that we are looking this year at health care, Medicaid, and housing. We didn't get that done in time for our first year report, but I think you will find us recommending among other things, very similar kinds of programs for Medicaid transition as have been mentioned today by previous witnesses.

Senator MOYNIHAN. Yes.

Mr. JOHNSON. Let me, Mr. Chairman, end my presentation here, again with an apology, with appreciation for your willingness to let Mr. Heintz and Mr. Fulton come back at another time and present the entire proposal and answer your questions. I think, if I may say, one strength of this steering committee is the active involvement of men and women who know as much about the strengths and the weaknesses of the social welfare programs that they have to administer as anybody does.

Senator MOYNIHAN. Thank you so much, Mr. Johnson. I noted that Mr. Spencer Rich and some other faithful members of the press who have been here since 9:15 or 9:30 a.m., and since Mr.

Heintz and Mr. Fulton—or even the whole steering committee—will want to come back, so we will keep this brief.

But I want to make again two points. We began by asking: What are the commonalities we have here? There is some revival of interest in the subject. What are people coming up with that is new?

First, the emphasis on work and a contract is new. We couldn't talk about this 20 years ago without inciting bitter divisiveness and controversy. Now, that has changed; we have changed our minds.

Mr. JOHNSON. That is right.

Senator MOYNIHAN. That great philosopher, Michael Polanyi, who was a very complex man, said something very simply. He said, "people change their minds." And it is not a very obvious thing. Often, you don't look around, and everyone sort of assumes a low model, a sort of low increment——

The disposition to change your mind builds up, but you resist it and resist it. Then, you look up one day and people are doing it. This has happened. The idea of a contract——

Mr. JOHNSON. On the point of changing minds, you know former Governor Brown of California.

Senator MOYNIHAN. Yes, sir.

Mr. JOHNSON. Jerry Brown had a fond way for dealing with that. When he would present a position and a member of the press would point out that 1 year ago he had the other—they would read a quote and see the inconsistencies—and ask him to justify it, and he would simply say: Then was then, and now is now.

Senator MOYNIHAN. As we do now. With regard to child support, there is a notion that we have a fundamental responsibility as part of that social contract. And you know, it is not just a matter of the moneys involved; it is a statement of social values. If you produce children, then you are responsible for them. And it just has to be. And even if you don't know, you are going to have to find out.

I want to thank you, and we will get back to this subject because we will be talking about it specifically, that is the idea of case management. We need to hear more about the specifics. We are agreed that the welfare population is a varied population, that most of the persons who receive welfare, like most of the persons who receive unemployment compensation, both under Social Security provisions, do so as a temporary form of income insurance. Something has happened, and they don't have any income. After a period that they had previously, and they do subsequently, and this is an insurance interlude.

But there is another group—as in the case of unemployment insurance—where they have been out of work for 52 weeks, and we extend it and so forth; there is that less than 10 percent—we talk about that 7 percent or whatever—that are in very deep trouble. And no edict, no set of incentives that you can read about—if you send for the pamphlet and read all about it—that is the welfare case worker with hands on. And to think you are going to do it otherwise, it seems to me, is idle; and I am sure you agree.

Mr. JOHNSON. Yes.

Senator MOYNIHAN. And when we get to that, and we are going to have four more hearings, and we will find the right spot for them to come in. And I want to hear the whole testimony, but I would particularly like to hear that part.

Mr. **Johnson**. Surely.

Senator **Moynihan**. There are people in this country who really deserve better, far better, than the society is giving them. There is the person whose profession is social welfare, and this person has decided not to go into stocks and bonds, but to go into children and babies and mothers; and it is so easy to dismiss that work which is so real, and it is only dismissed by people who don't have the nerve to try it. Thank you very much, Mr. Johnson.

Mr. **Johnson**. Thank you.

Senator **Moynihan**. We are going to conclude our first hearing on a high note by welcoming back to this room, where he has appeared so often, and to such great public service, the Honorable Arthur Flemming, citizen of Rochester, NY.

Dr. Flemming, Mr. Secretary, we welcome you, sir; and we are particularly pleased that you are able to come forward. You are the last of the witnesses that represent a report. We have had a rather singular—and the President, I think, stimulated it in his State of the Union message—the persons who got together under one auspices or another, and you and Governor Babbitt have produced an important document.

[The prepared written statements of Mr. Robert Fulton and Mr. Stephen Heintz follow:]

TESTIMONY OF

ROBERT FULTON
DIRECTOR
OKLAHOMA DEPARTMENT OF HUMAN SERVICES
AND
CHAIRMAN
APWA NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS
ON BEHALF OF

THE AMERICAN PUBLIC WELFARE ASSOCIATION
AND ITS PROJECT

"INVESTING IN POOR FAMILIES AND THEIR CHILDREN: A MATTER OF COMMITMENT"

BEFORE THE

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

WASHINGTON, D.C.
JANUARY 23, 1987

AMERICAN PUBLIC WELFARE ASSOCIATION 1125 FIFTEENTH STREET, N.W., WASHINGTON, D.C. 20005

MR. CHAIRMAN, I WILL BE ADDRESSING MYSELF TO THE OTHER TWO SUBJECTS INCLUDED IN YOUR HEARING NOTICE--THE ROLE OF VARIOUS LEVELS OF GOVERNMENT AND WELFARE REFORM IN A PERIOD OF SOCIAL RESTRAINT.

THE ROLE OF VARIOUS LEVELS OF GOVERNMENT

PROMOTING THE WELL-BEING OF FAMILIES WITH CHILDREN AND IMPROVING OUR SOCIAL WELFARE SYSTEM CANNOT AND SHOULD NOT BE SEEN AS THE RESPONSIBILITY OF THE GOVERNMENT ONLY. WE MUST FORGE THE BROADEST PARTNERSHIPS, AT THE INDIVIDUAL AND FAMILY LEVEL, AT THE COMMUNITY LEVEL, LOCALLY AND NATIONALLY, WITH PUBLIC AND PRIVATE INSTITUTIONS.

AS HAS ALREADY BEEN NOTED, THE APWA PROPOSAL RESTS ON THE BELIEF THAT INDIVIDUALS BEAR PRIMARY RESPONSIBILITY FOR THEIR OWN HEALTH AND WELL-BEING AND THE HEALTH AND WELL-BEING OF THEIR FAMILIES. WE AGREE THAT THE BEST HUMAN SERVICES PROGRAM IS A JOB AND THAT THE BEST HUMAN SERVICES DEPARTMENT IS A FAMILY.

SOLUTIONS TO POVERTY AND DEPENDENCY AMONG OUR CITIZENS CAN BE FOUND NOT IN RENEGOTIATING THE LEVEL OF GOVERNMENT INVOLVED AND THE EXTENT OF ITS INVOLVEMENT, NOR IN TINKERING WITH EXISTING PUBLIC WELFARE PROGRAMS. INSTEAD, FUNDAMENTAL AND FAR-REACHING SOCIAL AND ECONOMIC INITIATIVES ARE REQUIRED. OUR ENTIRE SOCIAL SYSTEM IS SUFFERING AND THE "FIX" MUST BE A COMPREHENSIVE ONE--IT MUST INCLUDE ACTION WITHIN THE ECONOMIC, EDUCATIONAL, AND POLITICAL SPHERES AS WELL AS THE WELFARE SYSTEM ITSELF.

THE PROBLEMS OF PUBLIC WELFARE ARE PERCEIVED AS SOCIAL ONES BUT "SUCCESS" FOR THOSE RECEIVING PUBLIC WELFARE IS MEASURED IN ECONOMIC TERMS. INVARIABLY THE FINAL POLICY-DECISIONS ARE NEITHER ECONOMIC NOR SOCIAL--THEY ARE BASED ON POLITICAL CONSIDERATION. FOR EXAMPLE, WE FEAR COMPREHENSIVE WELFARE REFORM MAY FLOUNDER--EVEN WITH ALL OUR BEST INTENTIONS--SIMPLY BECAUSE THE PAROCHIAL JURISDICTIONS OF CONGRESS WILL NOT ALLOW COMPREHENSIVENESS TO PREVAIL.

CLARIFICATION OF THE ROLE OF EACH LEVEL OF GOVERNMENT IS IMPORTANT. THE CORPORATION FOR ENTERPRISE DEVELOPMENT POINTED OUT IN A RECENT REPORT THAT EMPLOYMENT TRAINING PROGRAMS HAVE BEEN HINDERED BY STRUCTURAL AND ORGANIZATIONAL FLAWS INCLUDING:

- ERRATIC FUNDING AND FLUCTUATING PROGRAM GOALS WHICH PREVENT LONG-TERM PLANNING AND DEVELOPING STRONG LINKS WITH THE PRIVATE SECTOR.
- THE LACK OF CLEARLY-DEFINED ROLES FOR THE FEDERAL, STATE AND LOCAL GOVERNMENTS RESULTING IN STATE FUNDED EDUCATION, TRAINING AND SOCIAL SERVICE PROGRAMS WHICH ARE NOT COORDINATED WITH FEDERALLY-ADMINISTERED PROGRAMS.
- THE LACK OF EFFECTIVE INVOLVEMENT OF THE PRIVATE SECTOR IN PLANNING AND RUNNING TRAINING PROGRAMS WITH THE RESULT THAT PROGRAM GRADUATES ARE UNABLE TO FIND JOBS AT THE SAME TIME INDUSTRIES FACE CRITICAL LABOR SHORTAGES.

THIS KIND OF PROBLEM RESULTS DIRECTLY FROM THE LACK OF A COMPREHENSIVE, RATIONAL, AND COMPASSIONATE SOCIAL WELFARE POLICY AT THE NATIONAL LEVEL. IF WE BEGIN WITH A CLEAR AND DEFINITIVE STATEMENT OF WHAT WE WISH TO ACCOMPLISH THROUGH OUR PUBLIC WELFARE EFFORTS--INDEED OF WHAT KIND OF SOCIETY WE WOULD LIKE TO LIVE IN--WE CAN BEGIN TO WORK TOWARD THAT NATIONAL POLICY.

WE ARE UNITED IN THE BELIEF THAT THE FAMILY IS THE FIRST LINE OF DEFENSE FOR STABILITY AND SELF-SUFFICIENCY. GOVERNMENT IS THE NEXT LEVEL. THE FEDERAL GOVERNMENT MUST CONTINUE ITS ROLE OF RESOURCE ALLOCATION, RESEARCH AND EVALUATION, AND STANDARD-SETTING. THERE IS ANOTHER CRITICAL ROLE FOR THE NATIONAL GOVERNMENT: TO PROVIDE THE KIND OF MORAL LEADERSHIP NECESSARY FOR AN EFFECTIVE REDESIGN OF OUR SOCIAL WELFARE SYSTEM. WE STRESS THAT OUR PROPOSALS REPRESENT AN INVESTMENT: AN INVESTMENT THAT WILL HAVE ACTUAL DOLLAR BENEFITS TO GOVERNMENT TREASURIES. IT IS ALSO A MORAL REINVESTMENT IN OUR HISTORICAL BELIEF IN THE WORTH OF THE INDIVIDUAL. WE MUST REORDER OUR WELFARE SYSTEM NOT ONLY BECAUSE IT IS THE SMART THING TO DO: IT IS ALSO THE RIGHT THING TO DO, AND THAT MESSAGE SHOULD COME FROM OUR NATIONAL POLICY-MAKERS.

WELFARE REFORM IN A PERIOD OF FISCAL RESTRAINT

WE ARE CURRENTLY DEVELOPING COST ESTIMATES FOR OUR PROPOSED FAMILY INVESTMENT PROGRAM. A WHOLE SERIES OF COMPLEX QUESTIONS HAVE TO BE ANSWERED EVEN TO PRODUCE ROUGH ESTIMATES ON A PROPOSAL THIS COMPREHENSIVE. SOME OF THOSE VARIABLES:

- THE COST OF THE STATE FAMILY LIVING STANDARDS. BECAUSE SUCH STANDARDS DO NOT YET EXIST WE MUST BASE OUR ESTIMATES ON "PROXIES" FOR THOSE FIGURES, WHILE, AT THE SAME TIME, WE WORK OUT THE METHODOLOGY FOR COMPUTING A FAMILY LIVING STANDARD BASED ON FAMILY NEED.

- THE COST OF JOB PROGRAMS, SUPPORT SERVICES, AND ADMINISTRATION, FOR EACH STATE.

- THE FEDERAL-STATE "MATCH" WHICH MUST TAKE INTO ACCOUNT FISCAL CAPACITY AS WELL AS ENCOURAGE STATES TO ACHIEVE FULL IMPLEMENTATION AS QUICKLY AS POSSIBLE.

- THE PROJECTED RETURN ON THESE INVESTMENTS AS PARTICIPANTS ACHIEVE INDEPENDENCE FROM THE WELFARE SYSTEM.

IN ALL OF THESE AREAS THE START-UP COSTS WILL DEPEND ON THE LENGTH OF TIME IT TAKES TO GET TO A FULL FAMILY LIVING STANDARDS, AND TO PROVIDE THE FULL RANGE OF SERVICES NECESSARY TO PROMOTE SELF-SUFFICIENCY. HOW THE PROGRAM IS PHASED IN AND HOW QUICKLY WILL TO A VERY GREAT EXTENT DETERMINE THE COSTS IN COMPARISON WITH CURRENT EXPENDITURES. WHILE ADDITIONAL STATE AND FEDERAL EXPENDITURES WILL BE REQUIRED UP FRONT, THE PROGRAM IS DESIGNED TO REDUCE WELFARE DEPENDENCY THROUGH EMPLOYMENT, REDUCE PUBLIC HUMAN SERVICE EXPENDITURES, AND CREATE PRODUCTIVE NEW WORKERS AND TAXPAYERS. THE SAVINGS IN TERMS OF REDUCED COSTS AND INCREASED STATE AND FEDERAL REVENUE WILL BEGIN TO DEFRAY THE ADDITIONAL PROGRAM COSTS IN A VERY SHORT TIME--PERHAPS AS SHORT AS

THREE TO FIVE YEARS.

WE ARE PROPOSING A GRADUAL PHASING IN OF THE FAMILY LIVING STANDARD OVER A 10-YEAR PERIOD, WITH STRONG INCENTIVES TO ENCOURAGE STATES TO ACHIEVE A FULL FLS AS QUICKLY AS POSSIBLE. THE PHASE IN WILL TAKE INTO ACCOUNT CURRENT STATE CAPACITY, AND THE CURRENT FEDERAL BUDGET DEFICIT.

WE HOPE TO WORK WITH YOU AND OTHER MEMBERS OF CONGRESS IN COMPLETING THE DETAILS OF THIS PROGRAM. WE ARE WORKING BOTH THE NATIONAL GOVERNORS' ASSOCIATION AND THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS ON COST ESTIMATES AND FINANCING METHODS.

AS OUR REPORT STATES, "WHILE WE RECOGNIZE THE REALITY OF FISCAL CONSTRAINTS, WE STRONGLY BELIEVE IN THE BASIC SOUNDNESS OF THE INVESTMENT STRATEGIES WE PROPOSE."

WE WOULD LIKE TO STRESS THAT WHILE THE COST ELEMENT IS IMPORTANT, FOR THE NATION TO BE SERIOUS ABOUT ADDRESSING WELFARE REFORM IN A WAY THAT SUPPORTS FAMILIES AND HELPS THEM BECOME INDEPENDENT, OUR CONCEPTS PROVIDE A SOUND AND PRAGMATIC APPROACH. OUR PROJECT IS TITLED "A MATTER OF COMMITMENT" AND THAT IS EXACTLY WHAT IS INVOLVED. THIS COUNTRY HAS RESOURCES FAR GREATER THAN ANY COUNTRY ON EARTH, YET OUR CHILDREN ARE SUFFERING WITH PROBLEMS MORE ACUTE THAN CHILDREN IN MANY LESS WEALTHY COUNTRIES. IT IS NOT A QUESTION ONLY OF WHAT IT COSTS, OR OF WHERE WE GET THE MONEY TO PAY FOR IT--OUR COUNTRY IS NEITHER SO POOR NOR SO POLITICALLY PARALIZED THA WE CANNOT MAKE THE COMMITMENT TO OUR

CHILDREN AND THEIR FAMILIES TO HELP BRING THEM OUT OF POVERTY.

TRUE WELFARE REFORM WILL ONLY BE POSSIBLE IF WE OVERCOME THE OBSTACLES AND OBJECTIONS RAISED BY THOSE MORE INTERESTED IN ENDING PROGRAMS THAN IN IMPROVING THEM. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO TRANSCEND THE PAROCHIAL BOUNDARIES WHICH DEFINE OUR POLITICAL AND PROFESSIONAL INTERESTS. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO USE THE EXPERTISE FROM ALL SEGMENTS OF THE PUBLIC AND PRIVATE SECTORS. FINALLY IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO INVEST TODAY IN THE STABILITY AND PRODUCTIVITY OF FAMILIES, KNOWING THAT THESE INVESTMENTS--BOTH FISCAL AND HUMAN--WILL RETURN BENEFITS TO ALL OF US FAR EXCEEDING THEIR DOLLAR COSTS.

TESTIMONY OF

STEPHEN B. HEINTZ

COMMISSIONER

CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE

AND

CHAIRMAN

APWA MATTER OF COMMITMENT STEERING COMMITTEE

ON BEHALF OF

THE AMERICAN PUBLIC WELFARE ASSOCIATION

AND ITS PROJECT

"INVESTING IN POOR FAMILIES AND THEIR CHILDREN: A MATTER OF COMMITMENT"

BEFORE THE

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

WASHINGTON, D.C.

JANUARY 23, 1987

AMERICAN PUBLIC WELFARE ASSOCIATION 1125 FIFTEENTH STREET, N.W., WASHINGTON, D.C. 20005

INTRODUCTION

GOOD MORNING. I AM STEPHEN HEINTZ, COMMISSIONER OF THE CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE AND CHAIRMAN OF THE AMERICAN PUBLIC WELFARE ASSOCIATION PROJECT, "A MATTER OF COMMITMENT." JOINING ME IS ROBERT FULTON, DIRECTOR OF THE OKLAHOMA DEPARTMENT OF HUMAN SERVICES AND CHAIRMAN OF APWA'S NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS. OUR COLLEAGUE FROM KANSAS, ROBERT HARDER, SECRETARY OF THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, SENDS HIS REGRETS. HIS NEW GOVERNOR IS GIVING HIS STATE OF THE STATE ADDRESS TODAY AND BOB WOULD HAVE BEEN WITH US BUT FOR HIS RESPONSIBILITIES THERE.

MR. CHAIRMAN, YOUR TITLE FOR THIS HEARING POSED A QUESTION: "WELFARE: REFORM OR REPLACEMENT?" OUR ANSWER TO THAT QUESTION IS CRYSTAL CLEAR: REPLACEMENT. WE MUST GO FAR BEYOND MERE TINKERING WITH PRESENT PROGRAMS AND REDESIGN--FUNDAMENTALLY--THE WAY WE RESPOND TO POVERTY IN THIS COUNTRY. A FEW NUMBERS MAKE THIS POINT.

BASIC PRINCIPLES AND GOALS

TODAY ONE CHILD IN FOUR IS BORN INTO POVERTY IN THIS COUNTRY. ONE CHILD IN FIVE LIVES OUT HIS OR HER CHILDHOOD IN POVERTY. AMONG BLACK AND HISPANICS THE NUMBERS ARE EVEN MORE STARK: ONE OUT OF TWO BLACK CHILDREN IS POOR. TWO OF FIVE HISPANIC CHILDREN ARE POOR. AS PUBLIC HUMAN SERVICE ADMINISTRATORS, WE HAVE A RESPONSIBILITY WITHIN OUR STATES FOR THE HEALTH AND WELL-BEING OF THOSE

WHO ARE VULNERABLE. WE OVERSEE THE DEVELOPMENT AND DELIVERY OF SERVICES. MANY IN OUR GROUP HAVE LONG EXPERIENCE AND SPECIFIC EXPERTISE IN THESE AREAS. BECAUSE OF OUR EXPERIENCE AND OUR LEADERSHIP RESPONSIBILITIES, WE CAN BE BOTH LEGITIMATE ADVOCATES FOR THE POOR AND RIGOROUS CRITICS OF THE PRESENT SYSTEM.

WE KNOW THAT SOMETHING CLEARLY IS NOT WORKING. THE AVAILABLE ARRAY OF SERVICES IS NOT ADEQUATE TO THE NEEDS.

RESPONDING TO THE NUMBERS AND WHAT THEY REPRESENT, AND TO OUR RESPONSIBILITIES IN OUR STATES, THE HUMAN SERVICE ADMINISTRATORS ADOPTED A POLICY STATEMENT IN 1985 CALLING FOR A RENEWED PUBLIC COMMITMENT TO POOR CHILDREN AND THEIR FAMILIES. A STEERING COMMITTEE WAS FORMED REPRESENTING APWA'S BOARD OF DIRECTORS AND ITS COUNCILS OF STATE AND LOCAL WELFARE ADMINISTRATORS.

THE STEERING COMMITTEE HELD ITS FIRST FORMAL SESSION ONE YEAR AGO. THE GROUP IS ITSELF DIVERSE BOTH POLITICALLY AND GEOGRAPHICALLY. WE ARE REPUBLICANS AND DEMOCRATS; LIBERALS AND CONSERVATIVES. WE COME FROM LARGE STATES AND SMALL STATES; WE SERVE URBAN AND RURAL POPULATIONS.

WE HAVE DEBATED AMONG OURSELVES THE GOALS AND THE POLICIES TO ATTAIN THOSE GOALS. WE HAVE MET WITH SOME OF YOUR COLLEAGUES, WITH CONGRESSIONAL STAFF, WITH OFFICIALS IN THE ADMINISTRATION, WITH OTHER STATE AND LOCAL GOVERNMENT ORGANIZATIONS, PRIVATE NON-PROFIT GROUPS, AND WITH SOCIAL SCIENTISTS WORKING ON THE WHOLE RANGE OF ISSUES WITHIN THE SOCIAL WELFARE FIELD.

OUR GOAL IS STRAIGHTFORWARD: TO REDUCE THE NUMBER OF CHILDREN LIVING IN POVERTY BY PROMOTING SELF-SUFFICIENCY AND STRENGTHENING THEIR FAMILIES. BEFORE WE OUTLINE OUR RECOMMENDATIONS WE'D LIKE TO TELL YOU ABOUT THE CONCLUSIONS ON WHICH THEY ARE BASED.

THERE IS A VITAL PUBLIC ROLE AND RESPONSIBILITY FOR SOCIETY'S WELFARE AND EACH INDIVIDUAL HAS CERTAIN RESPONSIBILITIES TOWARD SOCIETY. WE BELIEVE THAT INDIVIDUALS BEAR THE PRIMARY RESPONSIBILITY FOR THEIR OWN WELL-BEING AND THAT OF THEIR FAMILIES. IN OUR VIEW, SELF-SUFFICIENCY MEANS FOR AN ADULT, A GOOD JOB; AND FOR A CHILD, A NURTURING FAMILY AND SUCCESS IN SCHOOL. WE VALUE FAMILIES AS THE BASIC BUILDING BLOCK OF OUR SOCIETY, BUT WE ALSO REALIZE THAT POLICIES AND PROGRAMS MUST RECOGNIZE THE CHANGING FACE OF FAMILIES, ESPECIALLY THE INCREASING NUMBER OF SINGLE-PARENT FAMILIES HEADED BY WOMEN.

THE PROBLEM IS COMPLEX AND DYNAMIC. IT REQUIRES POLICYMAKERS TO GO FAR BEYOND TINKERING WITH THE EXISTING STRUCTURE. IT REQUIRES A FUNDAMENTAL REDESIGN OF THAT STRUCTURE. INVESTING IN STRONGER, SELF-SUFFICIENT FAMILIES WILL BRING SIGNIFICANT RETURNS: PRODUCTIVE WORKERS FOR A GROWING ECONOMY AND A SHRINKING LABOR MARKET, DIMINISHING NEED FOR INCOME MAINTENANCE AND SOCIAL SERVICES, AND A STRONGER SOCIETY OVERALL.

TO PUT THE CONCEPT OF INVESTMENT AND MUTUAL RESPONSIBILITY INTO ACTION WE PROPOSE MAJOR REFORMS IN INCOME SECURITY, EDUCATION, AND EMPLOYMENT PROGRAMS. THE KEY COMPONENTS OF OUR FAMILY INVESTMENT PROGRAM INCLUDE THE FOLLOWING:

- A CLIENT-AGENCY CONTRACT REQUIRING ACTIONS BY CLIENTS AND SERVICES FROM AGENCIES ENCOMPASSING EDUCATION, EMPLOYMENT AND STRENGTHENED FAMILY LIFE. WORK OR EDUCATION TOWARD EMPLOYMENT IS REQUIRED OF PARENTS OF CHILDREN OVER 3; WORK-RELATED OR OTHER PART-TIME OUT-OF-HOME ACTIVITY IS REQUIRED OF OTHER PARENTS.

- A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM IN EACH STATE TO PROVIDE THE SERVICES NECESSARY FOR FAMILIES TO MOVE FROM WELFARE TO SELF-SUFFICIENCY. A STRONG CONNECTION BETWEEN ECONOMIC DEVELOPMENT AND HUMAN DEVELOPMENT SO THAT JOBS ARE AVAILABLE FOR THOSE NOW DEPENDENT ON WELFARE.

- A NEW NATIONALLY-MANDATED, STATE-SPECIFIC "FAMILY LIVING STANDARD" USING ACTUAL LIVING COSTS AS THE BASIS FOR CASH ASSISTANCE TO ELIGIBLE FAMILIES. THE "FLS" WOULD PROVIDE A STABLE ECONOMIC BASE AS FAMILIES MOVE TO SELF-SUFFICIENCY AND WOULD REPLACE BENEFITS TO FAMILIES WITH CHILDREN UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN, FOOD STAMP, AND LOW-INCOME HOME ENERGY ASSISTANCE PROGRAMS.

- AGGRESSIVE ENFORCEMENT OF CHILD SUPPORT INCLUDING PATERNITY DETERMINATION, VIEWED BY COMMISSIONERS AS A RESPONSIBILITY OF BOTH INDIVIDUALS AND HUMAN SERVICE AGENCIES.

- STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN INCLUDING BETTER PREPARATION AND STANDARDS TO ASSURE ACADEMIC PROGRESS AND GRADUATION FROM HIGH SCHOOL.

- INCREASED AVAILABILITY OF AFFORDABLE, QUALITY CHILD CARE TO MEET CHILDREN'S NEEDS AND SUPPORT FAMILIES WORKING TOWARD SELF-SUFFICIENCY.

- CASE MANAGEMENT IN HUMAN SERVICE AGENCIES TO HELP FAMILIES ASSESS NEEDS AND RESOURCES, TO IMPLEMENT AND MONITOR THE CONTRACT, AND COORDINATE NEEDED SERVICES.

RECOGNIZING THAT OUR GOAL OF REDUCING POVERTY AMONG CHILDREN CANNOT BE REACHED IF THE CURRENT INCIDENCE OF ADOLESCENT PREGNANCY IS ALLOWED TO PERSIST, OUR REPORT ALSO CONTAINS PROPOSALS TO DEAL WITH THE PROBLEM OF CHILDREN HAVING CHILDREN. WE WOULD WELCOME THE OPPORTUNITY TO PRESENT THESE PROPOSALS TO THE SUBCOMMITTEE ON ANOTHER OCCASION.

PARENTAL RESPONSIBILITY

IN YOUR NOTICE ABOUT TODAY'S HEARING YOU INDICATED THAT TESTIMONY SHOULD ADDRESS HOW PARENTAL RESPONSIBILITY FOR THE CARE OF CHILDREN CAN BE BETTER ENFORCED.

HUMAN SERVICE COMMISSIONERS BELIEVE PUBLIC POLICY MUST REINFORCE THE PRIMACY OF PARENTAL RESPONSIBILITY, BUT WE CANNOT ASSUME THAT SUCH RESPONSIBILITY IS ALWAYS EITHER UNDERSTOOD OR ACCEPTED. THE BILL MOYERS TELEVISION SPECIAL--"THE VANISHING FAMILY" SPOKE TO THIS ISSUE IN STARK TERMS--WHEN SHAHID JACKSON OBSERVED:

> WELFARE IS DOING EVERYTHING; YOU'RE MARRIED TO WELFARE. A LOT OF THE WOMEN, THEY MORE MARRIED TO WELFARE THAN THE GUYS LAYING' IN BED NEXT TO 'EM. 'CAUSE HE'S JUST A PHYSICAL THING. THE WHOLE BACKBONE OF THE FAMILY IS COMING OUT OF DOWNTOWN OR OUT OF UPTOWN (GOVERNMENT) OFFICES.

POVERTY ITSELF CAN ERODE THE SENSE OF RESPONSIBILITY PARENTS FEEL FOR THEIR CHILDREN. POOR PEOPLE, LIKE THE REST OF US, WILL NATURALLY AND RATIONALLY RELY ON WHAT THEY LEARN IS RELIABLE--INCLUDING A MONTHLY WELFARE CHECK. PARENTS WHO CANNOT, ON THEIR OWN, PROVIDE FOR THEIR CHILDREN ECONOMICALLY MAY ALSO BEGIN TO LOSE THEIR CAPACITY TO PROVIDE THE EMOTIONAL SUPPORT AND VALUE GUIDANCE NECESSARY TO SUCCESSFUL PARENTING.

THE FIRST OBLIGATION OF PUBLIC POLICY IS TO REINFORCE--THROUGH BOTH WORDS AND ACTIONS--THE CENTRALITY OF THE FAMILY AND THE PRIMACY OF PARENTAL RESPONSIBILITY IN AMERICAN SOCIETY. WE AND OUR COLLEAGUES WANT TO MAKE THE CASE THAT PARENTAL RESPONSIBILITY FOR THE CARE OF CHILDREN MUST BE ENFORCED. WE DO NOT BELIEVE THAT POVERTY SOMEHOW REMOVES THE RIGHTS AND OBLIGATIONS OF PARENTS TOWARD THEIR CHILDREN.

WE FIRMLY BELIEVE THAT PARENTAL SUPPORT OF CHILDREN IS THE FIRST LINE OF DEFENSE AGAINST PUBLIC DEPENDENCY. ALL CHILDREN HAVE THE RIGHT TO EXPECT FINANCIAL SUPPORT FROM THEIR PARENTS AND PARENTS HAVE THE RIGHT, AS WELL AS THE RESPONSIBILITY, TO PROVIDE THAT SUPPORT. DETERMINING PATERNITY AND

ENFORCING CHILD SUPPORT ARE MUTUAL RESPONSIBILITIES OF CLIENTS AND AGENCIES--RESPONSIBILITIES THAT MUST BE ACCEPTED AND THEIR ENFORCEMENT AGGRESSIVELY PURSUED.

CHILD SUPPORT SHOULD BE PURSUED EVEN WHEN COST BENEFITS ARE NOT READILY APPARENT AS MAY BE THE CASE WITH TEENAGE FATHERS AND OTHERS ONLY INTERMITTENTLY EMPLOYED. THIS MAKES A STRONG STATEMENT ABOUT THE PRIMARY RESPONSIBILITY OF PARENTS TO CARE FOR THEIR CHILDREN. PUBLIC POLICY MUST ENCOURAGE, AND OBLIGATE, PARENTS TO ASSUME THIS RESPONSIBILITY.

WE ACKNOWLEDGE THAT CHILD SUPPORT ENFORCEMENT IS AN ISSUE THAT CUTS ACROSS SOCIOECONOMIC LINES. WHILE WE COMMIT OURSELVES TO AN AGGRESSIVE EFFORT PARTICULARLY ON BEHALF OF LOW-INCOME FAMILIES, WE FAVOR A SIMPLE, AUTOMATIC, AND MANDATORY SYSTEM FOR ALL AFFECTED PARENTS AND CHILDREN. BECAUSE FAMILY DISSOLUTION IS A THREAT TO THE ECONOMIC SECURITY OF ALL FAMILIES, CHILD SUPPORT ENFORCEMENT IS A KEY PREVENTIVE STRATEGY FOR THOSE AT RISK OF BECOMING IMPOVERISHED. PUBLIC POLICY MUST COUNTERACT THE EFFECTS OF POVERTY BY REASSERTING THE MUTUAL OBLIGATIONS OF SOCIETY AND THE INDIVIDUAL.

IN OUR FAMILY INVESTMENT PROGRAM PROPOSAL, THE PRIMACY OF PARENTAL RESPONSIBILITY IS SUPPORTED BY THE "CONTRACT" BETWEEN AGENCY AND CLIENT. IT IS ALSO REFLECTED IN OUR BELIEF THAT WHILE ESTABLISHING WORK PATTERNS IN A HOUSEHOLD MAY NOT AUTOMATICALLY REDUCE PUBLIC ASSISTANCE CASELOADS, THEY WILL IMMEDIATELY HELP PARENTS AND CHILDREN UNDERSTAND THE IMPORTANCE OF WORK.

OUR APPROACH COMMITS BOTH AGENCIES AND CLIENTS TO REAL PLANS FOR INDEPENDENCE. THE AGENCY-CLIENT CONTRACT IS DESIGNED TO TURN MUTUAL GOOD INTENTIONS INTO MUTUAL OBLIGATIONS AND EXPECTATIONS. THE CORE OF THE CONTRACT WILL BE AN EMPLOYABILITY AND FINANCIAL ASSISTANCE PLAN, FROM WHICH FLOW THE SPECIFIC OBLIGATIONS OF BOTH CLIENT AND AGENCY. THE CONTRACT COMMITS CLIENTS TO A RANGE OF SELF-HELP EFFORTS, AND IT COMMITS STATE AND LOCAL AGENCIES TO SUPPORT THOSE EFFORTS BY PROVIDING NECESSARY SERVICES AND ASSISTANCE. BY ESTABLISHING GOALS, TIMELINES AND BENCHMARKS, THE CONTRACT TRANSLATES MUTUAL EXPECTATIONS INTO CONCRETE TERMS. THE CONTRACT WILL BE IN EFFECT A "DISCHARGE PLAN" AIMED AT EVENTUAL SELF-SUFFICIENCY AND INDEPENDENCE FROM THE SYSTEM.

THE CLIENT'S OBLIGATIONS UNDER THE CONTRACT WILL INCLUDE MANDATORY WORK AND EDUCATION/TRAINING ACTIVITIES BASED ON THE INDIVIDUAL'S NEEDS, ABILITIES, AND GOALS. THE AGENCY WILL PROVIDE SERVICES NEEDED TO SUPPORT THE FAMILY IN ACHIEVING SELF-SUFFICIENCY. THE CONTRACT WILL BE MONITORED REGULARLY THROUGH THE PROCESS OF CASE MANAGEMENT.

"CASE MANAGEMENT" WHICH WE PROPOSE FOR ALL PUBLIC HUMAN SERVICE AGENCIES MEANS BROKERING AND COORDINATING THE SOCIAL, HEALTH, EDUCATION, AND EMPLOYMENT SERVICES NECESSARY TO PROMOTE SELF-SUFFICIENCY AND STRENGTHEN FAMILIES. THE PROCESS BEGINS WITH AN ASSESSMENT OF THE FAMILY'S NEEDS AND RESOURCES IN FOUR AREAS: (1) EDUCATIONAL ATTAINMENT, (2) WORK EXPERIENCE, AND (3) FAMILY DEVELOPMENT--IN ORDER TO KNOW WHAT PROGRAM OR SERVICES THE FAMILY NEEDS, AND (4) INCOME SECURITY TO DETERMINE THE NEED FOR CASH ASSISTANCE AND DEVELOP BUDGET PLANS.

EFFECTIVENESS OF PROPOSALS TO STRENGTHEN FAMILIES AND REDUCE DEPENDENCY

WE LEARNED DURING THE GREAT DEPRESSION THAT THE STRENGTH OF FAMILIES AND THE WELL-BEING OF PUBLIC INSTITUTIONS ARE INEXTRICABLY CONNECTED. MANY RECENT POLICIES HAVE IGNORED THAT CONNECTION--BUT IT EXISTS NONETHELESS. ALL DOMESTIC POLICY HAS AN IMPACT DIRECTLY OR INDIRECTLY ON AMERICAN FAMILIES. GOVERNMENT INTERVENTIONS ARE NOT NEUTRAL. IT IS NOT ENOUGH TO SAY THAT THE GOVERNMENT SHOULD DO FAMILIES NO HARM WHEN IT HAS SUCH A POWERFUL CAPACITY TO DO THEM GOOD.

WHEN IT COMES TO THE U.S. APPROACH TO FAMILY POLICY, OUR DECISION-MAKERS USE MANY OF THE RIGHT WORDS. WE STUDY FAMILIES, EXALT THE NOTION OF FAMILY, WELCOME OR REGRET ITS CHANGES AND WORRY FOR ITS FUTURE. WE ISSUE HIGH LEVEL REPORTS. UNFORTUNATELY WE HAVE TOO OFTEN BEEN RHETORICAL, NOT PRACTICAL. ALL OF US MUST, HOWEVER, BE JUST AS STRONG IN OUR ACTIONS AS WE ARE IN OUR WORDS. (THE CHANGE IN THIS SUBCOMMITTEE'S NAME HAS NOT GONE WITHOUT NOTICE AND WE ARE CONFIDENT YOU WILL MATCH DEEDS TO THE NEW NAME)

PUBLIC WELFARE POLICY IS A EUPHEMISM FOR FAMILY POLICY, ALBEIT POOR FAMILIES. REFORM OF THESE POLICIES MUST BE EXACTLY THAT--A REFORMULATION OF CASH ASSISTANCE, EDUCATION, HEALTH CARE AND EMPLOYMENT-RELATED POLICIES THAT STRENGTHEN FAMILY LIFE AND PROMOTE SELF-SUFFICIENCY.

THE APWA PROPOSALS WOULD STRENGTHEN FAMILIES IN THREE WAYS:

(1) **SUPPORT TO FAMILIES WOULD BE BASED ON ECONOMIC NEED.**

WE BELIEVE THAT OUR SOCIAL POLICY MUST ULTIMATELY BE BUILT ON A COMPREHENSIVE SOCIAL INSURANCE MODEL. THIS IS IN PART PRAGMATIC, IN PART PHILOSOPHICAL. OUR PUBLIC PROGRAMS DIRECTED AT ECONOMICALLY ADVANTAGED AS WELL AS DISADVANTAGED INDIVIDUALS HAVE FARED WELL--MEANS-TESTED PROGRAMS HAVE NOT. WE BELIEVE ASSISTANCE TO POOR FAMILIES AND CHILDREN SHOULD BE BASED ON ECONOMIC NEED, NOT ON OTHER MORE ARBITRARY FACTORS. YOUNG PARENTS IN POVERTY WHO HAVE NEVER HAD THE ADVANTAGE OF GAINFUL EMPLOYMENT FACE JUST AS MANY COSTS ON BEHALF OF THEIR CHILDREN AS DO LAID-OFF AUTO WORKERS OR FARMERS DISPLACED BY ECONOMIC FACTORS BEYOND THEIR CONTROL. CHILDREN IN NEED ARE CHILDREN IN NEED.

BASING ECONOMIC ASSISTANCE ON NEED MEANS TWO-PARENT FAMILIES WOULD BE ELIGIBLE FOR ASSISTANCE--THEREBY ENDING THE CURRENT PERVERSE INCENTIVE FOR FAMILY BREAK-UP.

AMONG THE NECESSARY TRANSITION STAGES AS WE MOVE TOWARD A SOCIAL INSURANCE POLICY IS THE ESTABLISHMENT OF A FAMILY LIVING STANDARD REFLECTING BASIC LIVING COSTS WHICH VARY FROM ONE GEOGRAPHICAL AREA TO ANOTHER.

(2) **THE FAMILY LIVING STANDARD PROVIDES AN ECONOMIC FOUNDATION FOR THE**

FAMILY, ALLOWING PARENTS TO WORK TOWARD SELF-SUFFICIENCY.

IT IS NOT USEFUL TO PRETEND THAT FAMILIES CAN EFFECTIVELY SEEK SELF-SUFFICIENCY, NURTURE AND SUPPORT THEIR CHILDREN'S DEVELOPMENT, AND BE ACTIVE MEMBERS OF THEIR COMMUNITIES IF THEIR ECONOMIC SURVIVAL IS ALWAYS IN DOUBT. ESTABLISHING A FAMILY LIVING STANDARD WILL ASSURE A STABLE ECONOMIC ENVIRONMENT FROM WHICH THE MOVE TO SELF-SUFFICIENCY CAN TAKE PLACE.

THE FAMILY LIVING STANDARD WOULD INCLUDE BASIC NECESSITIES SUCH AS HOUSING AND FURNISHING, FOOD, CLOTHING, TRANSPORTATION, UTILITIES AND OTHER MAINTENANCE COSTS. WE PROPOSE ESTABLISHING STATE-SPECIFIC FAMILY LIVING STANDARDS TO REFLECT ACTUAL LIVING COSTS IN EACH STATE. FAMILIES WITH CHILDREN WOULD RECEIVE CASH ASSISTANCE IN THE FORM OF AN FLS SUPPLEMENT BASED ON THE DIFFERENCE BETWEEN THE STANDARD AND THE FAMILY'S INCOME, INCLUDING WAGES, CHILD SUPPORT AND OTHER STIPENDS.

ONCE A FAMILY LIVING STANDARD IS ESTABLISHED BENEFITS TO FAMILIES WILL BEGIN TO REFLECT ACCURATELY FAMILY NEED, AND PROVIDE THE STABLE ECONOMIC SITUATION FROM WHICH SELF-SUFFICIENCY CAN ACTUALLY BE ATTAINED.

(3) **A FAMILY'S TOTAL NEEDS WOULD BE ADDRESSED THROUGH THE CASE MANAGEMENT APPROACH.**

FROM THE OUTSET THE CASE MANAGER, WHO IS TRAINED AND SKILLED IN ASSESSMENT, ASSISTS THE FAMILY IN DETERMINING THE FAMILY'S NEEDS AND RESOURCES. THAT

INTAKE PROCESS WILL INCLUDE THE PARENTS' EDUCATIONAL ATTAINMENT, WORK EXPERIENCE, INCOME SECURITY, AND FAMILY'S DEVELOPMENT NEEDS. COULD ONE OR BOTH PARENTS BENEFIT FROM PARENT EDUCATION COURSES? IS THERE ARE SERIOUS PROBLEM INVOLVING DRUGS OR ALCOHOL CALLING FOR SPECIFIC TREATMENT? IS THE FAMILY'S HEALTH CARE ADEQUATE? WHAT ARE THE HOUSING NEEDS? ALL OF THE "NEEDS" THAT RELATE TO BOTH SELF-SUFFICIENCY OPTIONS AND THE STRENGTH AND STABILITY OF THE FAMILY UNIT ARE TAKEN INTO ACCOUNT.

THE APWA PROPOSAL WOULD REDUCE DEPENDENCY IN FOUR WAYS:

(1) **COMPREHENSIVE WELFARE-TO-JOBS PROGRAMS WOULD PROVIDE THE EDUCATION AND TRAINING NECESSARY TO ACHIEVE SELF-SUFFICIENCY.**

OUR PROPOSALS FOR WELFARE-TO-JOBS PROGRAMS ARE BASED ON THE SUCCESSES STATES HAVE HAD IN MOVING WELFARE RECIPIENTS INTO NONSUBSIDIZED JOBS THROUGH THE WORK INCENTIVE (WIN) DEMONSTRATION AUTHORITY, WHICH YOU, MR. CHAIRMAN, PLAYED A KEY ROLE IN CREATING AND FUNDING. WE URGED THAT THE STATES HAVE FLEXIBILITY IN CHOOSING THE APPROPRIATE MIX OF PROGRAM ELEMENTS INCLUDING REMEDIAL EDUCATION, SKILLS TRAINING, JOB SEARCH, JOB TRAINING. WE RECOMMEND A 75 PERCENT UNCAPPED FEDERAL SHARE IN THE COSTS OF SUCH PROGRAMS.

IN TERMS OF CLIENT OBLIGATIONS WE RECOMMEND:

- EMPLOYMENT OR EDUCATION TOWARD EMPLOYMENT BE REQUIRED OF ALL PARENTS WITH CHILDREN AGE THREE OR OLDER.

- A MORE LIMITED PROGRAM OF EDUCATION, EMPLOYMENT OR OTHER ACTIVITY DESIGNED TO PROMOTE SELF-SUFFICIENCY OR STRENGTHEN THE FAMILY BE REQUIRED OR PARENTS OF YOUNGER CHILDREN.

CHILDREN DO NOT BENEFIT IN THE LONG RUN FROM HAVING A SINGLE PARENT AT HOME FULL-TIME IF THEY DO NOT ALSO LEARN ABOUT SELF-SUFFICIENCY AND THE OPTIONS AVAILABLE TO THEM IN THE LARGER COMMUNITY. SELF-RESPONSIBILITY AND COMMUNITY INVOLVEMENT ARE MORE READILY APPARENT TO A CHILD IF THE PARENT SETS SUCH AN EXAMPLE. ONE OF THE THINGS THAT WE TOO OFTEN FORGET WHEN WE URGE WORK REQUIREMENTS ON WELFARE RECIPIENTS IS THAT THE ROUTINE OF JOB-SEEKING AND JOB-RETENTION IS NOT ROUTINE IN MANY LOW-INCOME FAMILIES. MAINTAINING SOME CONNECTION TO THE COMMUNITY, EVEN WHEN THE CHILDREN ARE INFANTS, IS DESIRABLE BECAUSE IT RADICALLY REDUCES THE ISOLATION OF POOR YOUNG MOTHERS AND HEIGHTENS THE OPPORTUNITIES FOR SINGLE PARENTS TO WORK AND GAIN SELF-SUFFICIENCY.

SELF-SUFFICIENCY THROUGH A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM, OF COURSE, PRESUMES THE AVAILABILITY OF QUALITY CHILD CARE AND THE OTHER SERVICES NECESSARY FOR ECONOMIC INDEPENDENCE.

(2) **THE FAMILY LIVING STANDARD COUPLED WITH THE WELFARE-TO-JOBS PROGRAM PROVIDES REAL ENCOURAGEMENT TO WORK.**

BECAUSE WE BELIEVE IT SHOULD ALWAYS BE TO A FAMILY'S BENEFIT TO WORK, THE FLS WOULD BUILD IN INCENTIVES TO WORK. FAMILIES WOULD BE ALLOWED TO EXCLUDE 25

PERCENT OF ALL EARNED INCOME AS WELL AS THE EARNED INCOME TAX CREDIT WHEN CALCULATING THE BENEFIT LEVEL.

(3) STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN ARE CRITICAL TO REAL SELF-SUFFICIENCY.

CHILDREN DROP OUT OF SCHOOL IN PART BECAUSE THEY DO NOT AND CANNOT MAKE THE CONNECTION BETWEEN THEIR OWN SCHOOLING AND THEIR EVENTUAL SELF-SUFFICIENCY AS A GAINFULLY EMPLOYED MEMBERS OF SOCIETY. SCHOOL IS IRRELEVANT TO CHILDREN UNLESS THEY CAN SEE HOW IT WILL FINALLY BENEFIT THEM AND THEIR FAMILIES.

WE BELIEVE THAT EDUCATIONAL REFORMS ALREADY PROPOSED MUST BE ACTED UPON INCLUDING PROGRAMS TO PREPARE LOW-INCOME CHILDREN FOR SCHOOL, TO ASSURE THAT THEY MAKE MAXIMUM ACADEMIC PROGRESS--COMPLETING HIGH SCHOOL AT A MINIMUM--AND TO INSURE EFFECTIVE TRANSITIONS FROM SCHOOL TO WORK.

(4) ADEQUATE HEALTH CARE COVERAGE DURING THE TRANSITION TO SELF-SUFFICIENCY MAKES THAT TRANSITION POSSIBLE.

WE ARE RECOMMENDING THAT MEDICAID CONTINUE TO BE AVAILABLE TO RECIPIENTS OF FAMILY LIVING STANDARD BENEFITS, AND WE ARE NOW EMBARKING ON A THOROUGH REVIEW OF THE ENTIRE AREA OF ACCESS TO HEALTH CARE FOR POOR FAMILIES AND CHILDREN. WE DO KNOW, NOW, HOWEVER, THAT HEALTH CARE COVERAGE IS ESSENTIAL FOR POOR FAMILIES AS THEY ENTER THE WORK FORCE AND FOR A SUFFICIENT TRANSITION PERIOD UNTIL EMPLOYERS MAKE ADEQUATE HEALTH CARE COVERAGE AVAILABLE TO SUCH FAMILIES.

STATEMENT OF DR. ARTHUR FLEMMING, FORMER SECRETARY OF HEALTH, EDUCATION AND WELFARE, ALEXANDRIA, VA

Dr. **Flemming**. Thank you very much, Senator Moynihan. I appreciate very much the opportunity of appearing before you, and I am grateful to you for the leadership that you are exercising in this area. It is very, very encouraging to me to take note of all of the reports, and to take note of the fact that this whole welfare area has been put on the political agenda again and is being given very, very careful consideration. This is a personal comment; I appreciate the tribute you just paid to those who work in the social welfare area. This is something that we should pay more attention to than we do. If we don't, we are not going to have the kind of people in that work that we need to have in that work.

I do appreciate the opportunity of appearing before the subcommittee, and as you indicated, in 1986 I accepted an invitation extended to me by Gov. Bruce Babbitt of Arizona to co-chair with him the deliberations of a group of distinguished citizens from both the public and private sectors that he had invited to participate in a project on the welfare of families. As Governor Babbitt stated in the foreword of the report that we issued, for 6 months we "grappled with a dilemma," that is, how can American society address the unmet needs of the poor without increasing their dependence on a handout? How can we reduce that dependence without increasing the poverty which breeds it?

It is my privilege to present to the members of this subcommittee the report issued by the panel containing our key recommendations and the papers prepared for our consideration by an outstanding group of scholars. I would like very briefly to give you some feel of the concerns that are reflected by the recommendations of the panel. I am going to do this by referring to the second chapter of our report. This the chapter entitled "Reforming Welfare: Basic Tenets and Fundamental Choices" and was written by Dr. Jack Myer, who you know is Director of New Directions for Policy. He was the director of our project, and he wrote this particular chapter with his associate, Rosemary Kern.

I am going to refer specifically to five basic principles included in this chapter, principles which I believe are a true reflection of the discussions of our panel and are directly related to our recommendations.

First, he stresses a welfare system should always make someone better off financially for working than not for working. And he, in his chapter, calls attention to the fact that for a family of three persons who earned income in 1986 equal to 75 percent of poverty, there were only eight States where the combination of AFDC and food stamps brought this family's income above poverty. In 1976, this was the case in 46 States. This is why in our recommendations we called not only for improvements in AFDC and food stamps, but also for additional emphasis on health care assistance and for further relief under the earned income tax credits.

Then the next principle he identified as eligibility criteria for public assistance should be roughly comparable from one region of the country to another. This is why we recommended that the Federal Government should ensure a basic minimum level of support to provide a decent living standard for those who cannot work or whose efforts to achieve full self-sufficiency fall a little short.

This is why in establishing a Federal floor, we proposed as a first step that the combination of AFDC and food stamp benefits equal at least 65 percent of Federal poverty standards in fiscal year 1988, that this be increased to 70 percent in fiscal year 1989, and that we should continue moving this floor upward until it approximates the Federal Government's poverty threshold. This is why we also recommended that maximum potential Federal Supplemental Security Income should be raised to the Federal poverty threshold.

The next principle: The needy should not be denied Government assistance for health care coverage because of inequities in the AFDC system; health care assistance should be provided on the basis of financial need alone. This is why we recommended that Government health care programs should build on recent Congressional action and extend health care coverage to a broader group in need of help, specifically that Medicaid should be expanded to cover all pregnant women, children, older and disabled persons who are below the poverty threshold.

This is why we recommended that the private sector should also be encouraged to extend coverage to workers without protection. This is why we identified both of these recommendations as important steps toward our ultimate goal of universal health coverage.

The next principle: Public assistance for low income families should be reoriented toward more emphasis on job readiness and job development for those able to work and less emphasis on income maintenance. That is why one of our major recommendations was that Federal and State governments should play a leading role in providing a route for welfare recipients from welfare roles to productive employment.

This is why another major recommendation was that we must increase our investment in public and private programs for the development of basic skills of our youth, if the nation is to succeed in reducing long-term dependency.

The final principle: People should not be screened out of public assistance for having an intact family if they would qualify on the basis of financial need. This is why we recommended the AFDC Unemployed Parent Program, namely providing assistance to households with a parent who is either unemployed or working part-time, should be implemented in all States. We recognize that the implementation of our recommendations would add to both Federal and State expenditures. We believe they would be an investment in our future as a nation. We also believe they must be fully funded so as not to add to our current fiscal stress.

We are convinced that new Government outlays can be funded through a combination of expenditure cutbacks, taxing certain types of income that are now tax-free, or other revenue-raising measures.

We believe that recommendations such as those included in our report should be implemented now. They should be implemented now in order to bring relief to those who are suffering. They should be implemented now in order to replace despair with hope in the lives of those who are now the victims of our present shortsighted welfare policy, a policy which—as far as many persons are concerned—is in direct conflict with our desire as a nation to respond to human need in a compassionate manner.

Senator **MOYNIHAN**. Mr. Secretary, that was beautiful, concise, and definitive. If anyone were to have asked that the main themes of this long hearing we have now had in the presence of five—that the main themes be summarized—they are right there in your testimony.

Dr. **FLEMMING**. Thank you, Mr. Chairman.

Senator **MOYNIHAN**. With one particular specific. I mean, we have all agreed that Medicaid—just as it is irrational to have a child in one State getting $60 a month for its care and $30 in the next State, that the child was different because of the jurisdiction—equally a poor child ought to have medical insurance. And to take away medical insurance when families try to become independent is just the dumbest kind of incentive.

But something you said just sums it up so much from your report. Just think about this: In 1976, a family of three persons which earned income equal to about 75 percent of poverty—and I would not exaggerate if I said that is a mother with two children, working at a little bit more than the minimum wage, which is what people get——

All right, you go out and you work full time at minimum wage, and you get about 75 percent of the poverty line to take care of yourself and your two children. In 1976, the combination of AFDC payments and food stamps would have taken all those families out of poverty in all but four States. And 10 years later, it would take them out of poverty in only eight. That is regression.

Dr. **FLEMMING**. That is right.

Senator **MOYNIHAN**. Sir, that is social regression. That is why there are people sleeping on the streets. What kind of people are we?

Dr. **FLEMMING**. Mr. Chairman, that figure—which was provided us by Jack Myer—really caught my attention, and I think it does sum up the fact that, over the last five to six years, we have been moving backwards rather than forwards in dealing with this particular problem. There isn't any question about it at all.

And I noted in connection with the earlier testimony, in your interest in the expansion of Medicaid, I am delighted that the Congress has made it possible for this stage to take that action. I happen to be chairing a national health care campaign. We are putting on a drive designed to convince as many States as possible that they should take advantage of that legislation; but at the end of this year, I think we should take inventory and see how many have taken advantage of it.

And if we have not made substantial progress—significant progress—then I think the Congress should consider making that a mandatory provision. I think it is indefensible for this nation to keep out of Medicaid, which was passed to deal with the medically indigent, the children and the pregnant women, the disabled and the older persons who are below the poverty threshold.

And it seems to me that the millions that are affected by our present policy in keeping them out of Medicaid should get relief. And I don't think we should keep postponing it.

As I said, I am perfectly willing to work hard to get State legislatures to take advantage of it; but if they don't, then I think the Congress should give very serious consideration in the second session of this Congress to making that mandatory.

Senator MOYNIHAN. Mr. Secretary, we will do exactly as, not instructed by you, but as persuaded by you. It is a technique that you have brought to a high art over four decades of admirable public service. We thank you for your testimony, sir, and we look forward to this end of the year check-out.

Dr. FLEMMING. Thank you.

Senator MOYNIHAN. And with that, I thank our reporter; I thank our staff. We will declare this first of five hearings closed.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]

[The prepared written statement of Dr. Flemming follows:]

OUTLINE

BY

ARTHUR S. FLEMMING
Former Secretary of Health, Education and Welfare
Former U. S. Commissioner on Aging

BEFORE

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

United States Senate

January 23, 1987

I. Introduction

A. I appreciate the opportunity of appearing before the Subcommittee on Social Security and Family Policy of the Committee on Finance of the United States Senate in connection with your hearings on "Welfare: Reform or Replacement?"

B. In May of 1986 I accepted an invitation extended to me by Governor Bruce Babbitt of Arizona to co-chair with him the deliberations of a group of distinguished citizens from both the public and private sector that he had invited to participate in a Project on the Welfare of Families.

C. As Governor Babbitt stated in the foreword of our report: For six months we "grappled with a dilemma: how can American society address the unmet needs of the poor--without increasing their dependence on a handout? How can we reduce that dependence--without increasing the poverty which breeds it?"

D. It is my privilege to present to the members of this Subcommittee the report issued by the Panel containing our key recommendations and the papers prepared for our consideration by an outstanding group of scholars.

II. Body

A. I would like--very briefly--to give you some appreciation of the concerns that are reflected by the recommendations of the panel.

1. I am going to do this by referring to the second chapter of our report.

2. This chapter is entitled "Reforming Welfare: Basic Tenets and Fundamental Choices" and was written by Dr. Jack A. Meyer, President of New Directions for Policy, the Director of our project and his associate, Rosemary Kern.

3. I am going to refer specifically to five basic principles included in this chapter--principles which I believe are a true reflection of the discussions of our Panel and are directly related to our recommendations.

B. A welfare system should always make someone better off financially for working than not for working.

1. For a family of three persons who earned income in 1986 equal to 75 percent of poverty, there were only 8 states where the combination of AFDC and Food stamps brought this family's income above poverty. In 1976, this was the case in 46 states.

2. That is why in our recommendations we called not only for improvements in AFDC and Food stamps but also for additional emphasis on health care assistance, and for further relief under the Earned Income Tax Credit.

C. Eligibility criteria for public assistance should be roughly comparable from one region of the country to another.

1. That is why we recommended that the Federal government should assure a basic minimum level of support to provide a decent living standard for those who cannot work or whose efforts to achieve full self-sufficiency fall a little short.

2. That is why in establishing a federal floor we proposed, as a first step, that the combination of AFDC and Food stamp benefits equal at least 65 percent of federal poverty standards in fiscal year 1988, and that this be increased to 70 percent in fiscal year 1989, and that we should continue moving this floor upward until it approximates the Federal government's poverty threshold.

3. This is why we also recommended that maximum potential federal federal Supplemental Security Income (SSI) should be raised to the federal poverty threshold.

D. The needy should not be denied government assistance for health care coverage because of inequities in the AFDC system; health care assistance should be provided on the basis of financial need alone.

1. This is why we recommended that Government health care programs should build on recent Congressional action and extend health care coverage to a broader group in need of help; specifically that Medicaid should be expanded to cover all pregnant women, children, older and disabled persons below the poverty threshold.

2. This is why we recommended that the private sector should also be encouraged to extend coverage to workers without protection

3. This is why we identified both of these recommendations as important steps toward our ultimate goal of universal health coverage.

E. Public assistance for low-income families should be re-oriented toward more emphasis on job readiness and job development for those able to work and less emphasis on income maintenance.

1. That is why one of our major recommendations was that Federal and State governments should play a leading role in providing a route for welfare recipients from welfare roles to production employment.

2. This is why another major recommendation was that we must increase our investment in public and private programs for the development of basic skills of our youth if the nation is to succeed in reducing long-term dependency.

F. People should not be screened out of public assistance for having an infact family if they would qualify on the basis of financial need.

1. That is why re recommended the AFDC Unemployed Parent Program (providing assistance to households with a parent who is either unemployed or working part-time) should be implemented in all states

III. Conclusion

A. We recognize that the implementation of our recp,,emdatonms wo;: add to both federal and state expenditures.

1. We believe they would be investments in our future.
2. We also believe they must be fully funded so as not to add to our current fiscal stress.
3. We are convinced that new government outlays can be funded through a combination of expenditure cutbacks, taxing certain types of income that are now tax free, or other recenue-raising measures.

B. We believe that recommendations such as those included in our report should be implemented now.

1. They should be implemented now in order to bring relief to those who are suffering.
2. They should be implemented now in order to replace despair with hope in the lives of those who are now the victims of our present short-sighted welfare policy--a policy which as far as many persons are concerned is in direct conflict with our desire as a nation to respond to human need in a compassionate manner.

WELFARE: REFORM OR REPLACEMENT?

(Child Support Enforcement)

MONDAY, FEBRUARY 2, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:33 a.m. in room SD 215, Dirksen Senate Office Building, the Honorable Patrick Moynihan (chairman) presiding.

Present: Senators Moynihan, Mitchell, Wallop, and Durenberger.

[The prepared statements of Senators Moynihan and Mitchell and an article from the *Washington Post* follow:]

WE DO NOT HAVE CHILDREN TO WASTE

Statement by
Senator Daniel Patrick Moynihan
Chairman

Subcommittee on Social Security and Family Policy
Senate Committee on Finance
Hearings: "Welfare: Reform or Replacement?"
Monday, February 2, 1987

In his State of the Union message a few nights ago, President Reagan said he would submit to the Congress, in February, "a new national welfare strategy." With the President interested in overhauling the family welfare system and Democratic and Republican leaders in the Congress intent on improving the lot of children and their families, we may be able, in this 100th session of Congress, to evolve a system of child support that we do not now have.

AFDC Cannot Work

We need such a system. The American Public Welfare Association reports that one child in four is born into poverty today; one in five will grow up poor. The principal program now supporting poor children, Aid to Families with Dependent Children (AFDC), does not and cannot offer poor families the hope of becoming self-sufficient.

Of course, AFDC was never intended for this purpose. It was designed, in 1935, to tide over poor widows and orphans who were not yet entitled to receive Survivors Insurance benefits, added to the Social Security Act in 1939. Moreover, the AFDC program was never meant to respond to the social conditions of the 1980s. Neither the dramatic increase in female-headed families, nor the expectation that women would work outside the home, was anticipated 52 years ago.

This mismatch between the social expectations of a bygone era and today's social realities helps explain the precipitous decline in the value of the benefits we pay to needy children.

Between 1970 and 1986, the purchasing power of AFDC benefits in the median state (in constant dollars) declined by one third. At least for the children receiving such benefits. In 1985, there were over 12 million poor children in the United States; only seven million qualified for AFDC.

We have a program that reaches less than two thirds of those who need it, a program in which benefits have been allowed to decline. This is not a program that commands political support.

Replace AFDC

That is why I suggest we replace, rather than reform, AFDC. Replace it with a national system of child support -- a system that relies first and foremost on parents to support their children. In single-parent families, the absent fathers (it is fathers who are absent in 90% of such families) must be required to pay a portion of their incomes to help support their children. Mothers must help support their children by working, at least part-time, outside the home. If parental support payments plus earnings still leave a household's income below a stipulated minimum benefit level, we must then provide for our children with public support.

Simply put, parents must assume primary financial responsibility for their children. Only after both parents are doing their fair share should public assistance be provided. The lead editorial in the Washington Post of January 30, 1987, suggests that this approach may "liberate" liberals and conservatives -- allowing us, finally, to act in concert on behalf of our children.

It is essential that we act. In 1985, 22 percent of children under age 18 were living with one parent. But 60 percent of all children born in 1985 can expect to live in a single-parent family before reaching their 18th birthdays. If we do not move beyond "welfare," one-third of our children can expect to become AFDC recipients for some portion of their childhoods.

Emerging Consensus

At our first hearing, we observed a bipartisan consensus emerging around three themes:

First, there is agreement that parents must assume responsibility for their children. According to the U.S. Census Bureau, in 1983 there were 8.7 million women caring for children whose fathers were absent from the home. Only 58 percent of them had court orders or agreements to receive child support; 42 percent did not. Of the 58 percent with court orders, only half received the full amount due them, a quarter received partial payment, and the remaining quarter received nothing.

The problem affects mothers regardless of race, ethnicity, or region, although we do know that black mothers and mothers of Spanish origin living apart from the fathers of their children are less likely than their white counterparts to be awarded child support: 70 percent of white mothers are awarded child support payments, compared to 44 percent of Spanish-origin mothers, and 34 percent of black mothers. White mothers also receive larger child support payments per year ($2,475 in 1983), on average, than black ($1,465) and Spanish-origin ($1,839) mothers.

Child support enforcement is a responsibility that crosses income lines. All children are entitled to parental support. Yet, systematic enforcement of child support obligations is something we've just begun to do, despite that fact that Congress first passed child support legislation in 1950 (the Notification of Law Enforcement Officials, or the so-called NOLEO Amendment). But as these data show, we can and must do a better job of enforcing parental support obligations.

A second area of consensus has to do with work. Whether children live with both parents or just one, able-bodied parents have a responsibility to support their children by working. According to the Bureau of Labor Statistics, 70 percent of all mothers with children aged 6 to 18 years are working at jobs outside the home; more than half of all mothers with children under the age of six and even three are working. With so many mothers in the labor force, there is now general agreement that poor single mothers ought to work, at least part-time.

What is disturbing, however, is that many of these working mothers are still poor. In 1986, if a single parent with two children earned income equivalent to 75 percent of the poverty line, her earnings, together with AFDC and Food Stamp benefits, would have lifted her family above the poverty line in only eight states. Just ten years earlier, the same household would have escaped poverty in 46 states.

A single parent ought not to be poor and dependent on the welfare system when she is both working and fulfilling her child-rearing obligations. That is why I stress the importance of developing a new child support system that will rely, primarily, on parental support payments from the absent parent, plus earned income. Together, these sources of income ought to free mothers and their children from relying on public subsidies.

Should a combination of parental support payments and earnings still be insufficient to care adequately for these children, then time-limited government assistance, in the form of a child support supplement, ought to be made available. If, after a reasonable period of time (perhaps two years), a single mother has not secured a job, she would be provided a public work, training, or education assignment as a condition of continued public support.

A third source of agreement stems from the second: If we expect single parents to go to work, then we must put in place the supportive services that will enable them to train for, secure, and retain jobs outside of the home. For example, job-training and work experience programs, together with child care services are essential. There is also the matter of providing poor working parents with access to health care coverage for their families. We may have to mandate the extension of Medicaid benefits to poor households with young children, rather than leave that option to the states.

We Don't Have Children to Waste

In short, we are hearing a recurring theme, that of a new "social contract." A contract in which parents assume the primary financial responsibility for their children -- absent parents by paying child support and custodial parents by working as much as is practicable. In exchange, the community, through temporary government assistance, will assure that children and the families raising them receive adequate income and health care.

A child should never be neglected, even in a society brimming with children. How much more careful we ought to be, then, as children become a scarce resource. Fifteen years ago, the birth rate in America fell below the level necessary to maintain the population. Quite simply, we cannot afford to waste a single child. And yet, at present, we suffer the impoverishment of 20 percent of our children. Do we expect children growing up in misery to mature into adults capable of maintaining, much less improving, American society? It ought not to be left to chance.

We must finally concede that the AFDC program cannot be reformed. It must be replaced with a new system of child support.

FRIDAY, JANUARY 30, 1987

The Washington Post

AN INDEPENDENT NEWSPAPER

Jump Start for Welfare

WELFARE REFORM has been around so long that the debate is a little like one of those stylized chess games—Nimzo-Indian defense to obscure variation of the Queen's Pawn opening—that, until about the 25th move, owe more to habit than to thought. Now comes Sen. Daniel Patrick Moynihan, new Democratic chairman of the responsible Senate subcommittee, in an effort to unlock and reinvigorate the discussion by changing the terms. Welfare "cannot be reformed. It should be replaced," he says—and then proposes to reform it, but from a perspective and in a vocabulary that he hopes will liberate both sides.

Mr. Moynihan is a genuine expert in these matters. As professor, presidential aide, serious historian and senator, he has dealt authoritatively with welfare reform for 25 years. He knows the program's history—that it began as a temporary widows and orphans program under Social Security to tide such survivors over until the formal survivors insurance system made part of Social Security in 1939 could take hold. The program was then thought likely to wither away; no one reckoned with a change in traditional family structure that would create an entire subculture of female-headed families to be assisted. Now a program created for one purpose has had another grafted onto it. Social Security has done well by the elderly. Its byproduct, welfare, has not done well by the other large dependent group in the society, the young. The poverty rate for children is now about 20 percent; some 12 million children live below the official poverty line. Only 7 million of these are even on welfare, and welfare benefits, set by the states, have lost a third of their purchasing power to inflation in the past 15 years.

The welfare debate has traditionally focussed on what the government should and should not do for welfare mothers. Mr. Moynihan would force it toward the needs of children. He would begin by systematizing the imposition of child support payments in the courts; only 58 percent of single mothers have court orders now, and only half these receive all they are due. He would then declare it the obligation of every able-bodied welfare mother also to work at least part-time (an easier position to take now that most women in the society at large also work); he would step up traditional programs to help such women find and survive in jobs. Only then would he turn to welfare; government would make up the difference between child support and wage and possibly new national benefit levels. No able-bodied recipient would be allowed to go without working for more than a "reasonable" time. If she could not find a job, a public one would be found for her.

The welfare benefit would thus be residual; government would be tapped only after the family and the job market. In theory, that is also the order now. Child support and wages are subtracted in determining benefits; find more fathers and jobs and you reduce "welfare." Mr. Moynihan would shift the emphases. He deliberately leaves open the questions that have stymied this pattern of reform in the past—how generous to make the benefit structure, how to preserve the incentive to work, how to allocate funds among states with low benefits and high, the displacement problems in creating so many new low-paying public-sector jobs. He also skips over cost, saying—less convincingly than he would like—that "we *should* end up saving money."

But the senator does jump-start the debate. He points in a direction with which liberals and conservatives both might eventually be comfortable. He says the problem is not the welfare system, with all that that connotes, but the status of children when one of five is poor. The first may seem a tiresome subject, but the other is urgent.

Statement by Senator George J. Mitchell
Subcommittee on Social Security and Family Policy
Welfare: Reform or Replacement?
February 2, 1987

Mr. Chairman, I commend you for your prompt attention to the issue of welfare reform. You and I have worked together in the past to show our support for the WIN program in the face of attempts to eliminate the only federal program in current law that is designed to educate and train welfare recipients to become permanently self-sufficient.

I look forward to working with you in the 100th Congress to reform existing welfare programs and develop new programs which will succeed in protecting the most vulnerable in our society while encouraging all persons who are able to work to do so.

As the Chairman of the Health Subcommittee I am particularly interested in provisions included in a number of welfare reform proposals which address the issue of health coverage for welfare recipients and their children.

Many poor persons in our nation do not have access to health care. Too often, when a welfare recipient does find a low-paying job, health insurance is not included as a benefit. This is particularly true of part-time employment and many jobs at the minimum wage.

This often places a mother in a position of choosing between a job which might provide enough to support her family, and health insurance for herself and her children. This is an unfair choice for anyone to be expected to make.

The federal government currently spends about $116 billion dollars on welfare related programs. We cannot continue to spend precious dollars on programs which are not working. I look forward to working with members of this subcommittee to carefully examine the proposals before us and to devise a viable solution to the existing crisis in income security programs.

Senator MOYNIHAN. A very good morning to our guests and our witnesses.

I want to especially welcome Governor Castle, and is Mayor Holland here? Mr. Mayor, good morning. And Ann Klinger, good morning to you. You are our three elected officials, so we especially welcome you on this occasion.

This is the second of a series of five hearings before the new Subcommittee on Social Security and Family Policy. We have set ourselves to a task of exploring the grounds for common agreement, if we can, to provide a system of child support in the United States.

Our present and "sporadic" system, you could almost say, that is known as "welfare" in a general sense is in fact Title IV of the Social Security Act, originally the Aid to Dependent Children Program, which hangs over from 1935, when it was established as a bridge program until the uniform and near-universal coverage of workers by Social Security became effective. In short, the ADC program was meant to provide temporary assistance for widows and orphans until more workers and their dependents would qualify for Survivors Insurance. The principal purpose of the program was to provide for these dependents, in the event of the unexpected death of the wage-earner.

That has changed, as we have reached a point in our social history, if you like, when the median American child will spend part of his or her youth in a broken home, or a "single-parent home" is the best way to describe it. In a few homes there has been a death in the family. But that is most unusual; typically the family has either not formed or has divided for other reasons. Only a minority, 40 percent, of American children will live their first 18 years with their two natural parents.

So, it presents itself as a national problem to devise a means by which we can ensure that our children are raised with the levels of well-being that we would expect for ourselves and, for the most part, experience ourselves. This is not the case now.

We find that for the first time in our history the group in our population that has the highest rates of poverty are the children. A child of six or under is nearly seven times more likely to be poor than a person 65 or older. The absolute numbers and the percentages are horrendous. There were some 12 million children living in poverty, last year nearly 13 percent of all American children under 18. The American Public Welfare Association presented a study to us last week—which has the rather striking title "One Child in Four," which is the proportion of children who are born into poverty today. Over time, in the course of the 18 years of childhood and young adulthood, the number of children living in poverty is very high indeed, higher than any other industrialized nation. We can look on these matters very usefully to our neighbor Canada, which has the same economy as ours and many of the same traditions, and the same patterns of government as ours, yet they have no problem approaching it. You know, they have their difficulties, too, but nothing of the order of mass poverty in children that we have.

The President has asked us to address the reform of our nation's welfare system. He raised it in his State of the Union message in 1986, a year ago, and in his 1987 message last week returned to it and said he would be sending Congress a message. And we await that with considerable anticipation.

I have recently spoken to Charles Hobbs at the White House, the President's Special Assistant for Domestic Policy, and our Subcommittee will be hearing testimony from the Administration in the coming weeks.

At today's hearing, we will hear from a variety of persons who are responsible as public officials for our welfare programs, with groups such as the National Urban League which has been interested in these matters for a very long while; the National Governors' Association; the U.S. Conference of Mayors; and the National Association of Counties, among other distinguished witnesses.

I have a statement which I would place in the record at this point. But I call your particular attention, if I may do, to a very fine editorial which appeared as the lead editional in the *Washington Post* on Friday. Referring to our hearings, the editors say that these hearings do indeed seem to provide the prospect that we can find common ground, a perspective about not seeking any longer to reform welfare but to *replace* welfare with a system of child support, and to do so in terms that conservatives, as we would think of ourselves, and liberals, as we would think of ourselves, can come together in this matter, in the name of the children.

I would note in particular the proposition that the United States doesn't have any children to waste—not that we ever really did. But I don't think it has impressed itself on our awareness that 15 years ago, for the first time in our history, the birthrate in the United States dropped below the replacement level. We have been running for 15 years well below the rates of birth that would maintain a stable population over time. And while there is a long phase-in of this kind of demographic change, when it hits you it has already happened.

We face the prospect in the generation ahead that we might find ourselves with a workforce much smaller than we have had in the past, while at the same time we will need to look after a retired population much larger than we have ever known. We will need all the skills and all the abilities and all the energies possible, and we are simply not going to find them if we allow half of our children to grow up in circumstances where at one time or another they are seriously in difficulty and at any given moment, such as now, a fifth of them are living in poverty.

Now, enough of my remarks. I would like first of all to thank the Committee staff, everybody here, for having put together a number of documents. There is a brief description of present-law welfare programs for families, which is available. It is a good, handy compendium of all of these matters.

I would note that this is a Monday morning, not a convenient time for hearings, and it is especially gracious of the elected officials who have come from long distances to represent their organizations.

I would recall that last week, when we began this series of hearings, it was also a snowy, difficult morning in Washington. But Mr. Dole, who is our ranking member, the Republican leader, was here, and our Chairman Mr. Bentsen was here. And I suspect before the morning is over we may see some other members of our subcommittee.

But in the interest of some order and because we have the Highway Bill on the floor at 2:00—I am going to ask if our first three witnesses could keep their comments to 15 minutes, and of course everything will be made a matter of the record, and thereafter, we will keep it to 10, but with a liberal understanding that nobody is going to be cut short.

Whereupon, the Honorable Michael Castle, Governor of Delaware and Chairman of the National Governors Association Task Force on Welfare Prevention and the Committee on Human Resources.

Governor, we welcome you to the Finance Committee, and we are looking forward to your testimony, sir.

STATEMENT OF HON. MICHAEL CASTLE, GOVERNOR OF DELAWARE AND CHAIRMAN, NATIONAL GOVERNORS ASSOCIATION TASK FORCE ON WELFARE PREVENTION AND COMMITTEE ON HUMAN RESOURCES

Governor **CASTLE**. Thank you very much, Senator.

I am very pleased to be here. It is, believe it or not, Lincoln's Birthday in Delaware today. I don't think Abraham Lincoln, were he alive, would understand that. And we understand that problem, and the problem of Mondays. But I am very pleased to have the opportunity to be here.

Let me particularly thank you and the staff personally for your interest and work on this. In your own case, of course, it has been an abiding interest of I guess 25 years or so, that you have been worried about this problem, probably for half or more of the life of welfare in this country, and we certainly appreciate that.

Preliminarily, before striking off into the area of welfare, I would like to say that, as one Governor, and I think I probably speak for all of the Governors, although I have not consulted with them, that we all know, of course, that welfare is sort of the last thing that you get to. I think all of us are spending a lot of our time and attention on the other things that one worries about before we worry about the actual breakdown of welfare and the concepts of what we should do in welfare.

For instance, in the area of prevention, we in Delaware and in the National Governors Association have started something called "Focus on the First 60 Months," which is a little bit of a misnomer because it starts with the time of pregnancy and goes through the first five years. Essentially, we are looking at all of the best state practices to see what we can put together in order to prevent some of the problems that can lead to more difficulties later on, such as the medical problems—we are starting medical centers in Delaware, as an example—nutritional problems, lack of education problems—that is, with either pre-kindergartens or daycares, or other structured types of existences—to make sure that those young people who don't seem to have any advocates at all out there are going to have some support. And perhaps we can prevent a lot of the problems that we see later on as far as welfare is concerned.

Education is a matter that concerns all Governors. Sometimes educators say, "Why are you getting involved in education?" Well, in Delaware we pay for 70 percent of it, local school districts or not, so we are vitally interested in getting involved. It is our feeling that, if we can prevent dropouts at a very early age, if we can encourage people in pre-kindergarten levels and kindergarten levels to "get up to speed" if you will, then perhaps we can help keep them in school, so that they do not drop out, and, again, perhaps prevent the problems later on before we have to address welfare.

And then, I guess the whole area of jobs and economic development is a matter of concern to all of us today. We have happened to have had some good fortune in Delaware with that, and it is amazing to see the correlation between the welfare rolls and unemployment. As employment goes up and as unemployment goes down, the welfare rolls seem to change dramatically. I think we have the second-lowest unemployment; in November we will probably be in the bottom-10 in the country for this year. And that has been a terrific advantage to us in getting rid of some of the problems that have existed out there, to give people that opportunity for work.

I cannot emphasize that enough, because I think nothing we have ever done in terms of dealing with welfare, until 1987 when perhaps we have a chance to do something more, has ever worked as well as a good economic-development jobs-oriented economy, if we can possibly have that.

Now, having said that, it seems to me that the time has come in our country when we really do have the opportunity to do something about this. I look at the White House and the Senate and the House, and I look at the Governors' offices and the counties and the towns, and at the different groups that exist in our society who have looked at this problem, and I see the opportunity for change.

I read the Washington Post editorial on Friday, and I read Time Magazine from last week, which cited some of your work and some of Governor Dukakis's work, and other things which are going on. You really begin to realize that we have now an opportunity that we have never had before. It crosses party lines, it is the public and private sector, it crosses philosophies, and I think everyone realizes that there is sort of a merging of interest.

And that is probably more important than anything we will discuss today, the fact that we are all discussing these things and nobody is saying, "I am philosophically opposed to that." I think it is something we really want to keep our eye on, because I know, amongst the Governors, it goes across all 50 states and all political ramifications, and everyone seems to be pulling together.

In the various groups that you indicated I am involved with, the Welfare Prevention Task Force and the Human Resources Committee of the Governors, we are working very hard, as you know, because I know you have been informed of this, to come down to Washington in about three weeks or so to adopt a new policy for welfare that will incorporate many of the things that I am going to discuss here today, which will be the hallmark, really, of what we are going to do in those three days that we spend in Washington at that time of the year when the Governors descend on Washington and try to tell Congress what to do for the rest of the year. And we look forward to that a great deal.

Now, having said that, let me just turn to the question of welfare. I think a lot of us have realized that human capital is perhaps the single most important substance that we have in this country in order to really help people, and we really need to do more with it.

We have a goal in the National Governors Association to help our citizens benefit from prosperity by giving them the skills to participate in it, which has been lacking, rather than simply subsidizing unfulfilled lives, which is what welfare has done. Welfare reform is an integral part of any effort to give full value to those lives.

I would say that all Governors are involved in welfare reform. We want to improve our states' economies and we need those people in order to do that, we want to solve the perplexing social problems that go with welfare, and that is agreed to by practically everybody, and of course we want to ultimately reduce the cost of state government—I say "ultimately" because I am well aware of the fact that initially we may need to spend more money to save more money, to save money at the other end of it.

In February 1986 the Governors offered to work with the White House in this area. I was offered the opportunity to chair a task force of eight Governors to develop a comprehensive policy on welfare reform, and to reflect the best thinking and practices which exist in the states today, and try from that to put together a design for a welfare system which would foster self-sufficiency and individual pride.

I think it is important, first, to look at the basic principles that we had agreed on just this last November:

First, a flexible state-designed work program which accommodates remedial education, training, job placement, and experience.

Second, a requirement that all recipients of cash assistance with children age three or more participate in a work program.

Third, a binding contractural agreement between the recipient and the government, which lays out mutual obligations—the client to strive for self-sufficiency and the government to provide adequate support services for a designated period of time as the client moves toward economic independence.

Fourth, an enhanced case-management system at the central point of intake and assessment of a client's needs, resources, and the steps necessary to move the client toward self-sufficiency.

And fifth, movement toward a cash-assistance program which would ultimately be a state-specific family living standard developed according to a nationally-prescribed methodology and paid, as a minimum, at a nationally-prescribed percentage of that state's family living standard.

Let me say that that last is the least well-formed of the concepts and is something that all of us are wrestling with at this time, including the Senate, I know, because it is a very difficult area.

The effect of all of these changes we think would be to do some of the following:

To combine the state's ability to provide programs that work at the local level, with the Federal Government's responsibility to set the national standards;

The changes will reflect the importance of eliminating the causes of welfare in providing each citizen with an opportunity to participate fully in the community and develop to his or her full potential;

Recognize the differences in the AFDC population by focusing on individualized plans for achieving self-sufficiency through case management; and finally,

Place a high value on work among clients and on government's responsibility to remove the disincentives to work which currently mar the welfare system.

We believe, obviously, that we need a comprehensive approach, and we are convinced that the very best welfare reform strategy is the elimination of the root cause of welfare dependency.

I believe, and I think the Governors all believe, that there are five underlying assumptions of the Governors' Welfare Reform Strategy that we also must pay attention to:

First, we must reduce the incidence of poverty and its debilitating effects on children and their families. That is a given.

Second, we may have to invest more money up front, but we believe that the States and the Federal Government can, over time, reduce public expenditures for welfare by targeting resources on programs which reduce the need of children and their families to resort to the welfare system.

We believe that investment in human potential and spirit is the most critical piece of a good economic development strategy.

We believe that our public welfare policy should advance the basic societal value that able-bodied individuals should support themselves and their children through their own efforts.

And we must embrace the notion of a social contract which embodies the principle that responsibility for reducing dependency flows in two directions—the individual to strive for self-sufficiency, and the society to remove the barriers to that achievement.

Finally, we need a support system to help implement this work system, if it is really going to be able to be put together.

We must strengthen the child-support enforcement efforts in our states. I know that is a matter of grave concern to you.

In Delaware, for example, we have consistently increased our child-support collections over the past five years to the extent that, currently, child-support reimburses AFDC at a rate of 12-15 percent. We have done this through the use of wage attachments, tax intercepts, and improved automation coordination with motor vehicle, vital statistics, the welfare office, and the Department of Labor.

We must provide sufficient quality daycare to support our working families. We must provide prenatal and primary health care for our children. And we must create incentives for people to work, such as extending Medicaid coverage to AFDC families for some period of time following their return to the work force, or in some part for some period of time, if you will.

The whole theory behind all of this is that work must be better than welfare. We can talk about it all we want, but, unless we make the work programs better than welfare, then ultimately we are not going to succeed in what we want to do.

Let me just say finally that the Governors are looking just beyond this. While we are concerned about the issue of welfare and the things we need to do, we also must worry about the issues that lead to it—the teen pregnancy issue, the alcohol and drug abuse which causes a lot of this problem, the school dropouts, the adult illiteracy, the economy, which I have talked about, and all of the different things that go into that mix, so that we can perhaps prevent this before we get to the actual elements of it.

That is what we are going to be doing in February and again in July. We hope to come here as much as possible, as much as you are willing to hear us, and to tell you our different thoughts as we advance further along this stage.

Senator **Moynihan**. Governor Castle, that was wonderfully positive and forthcoming testimony, a statement that the Governors are engaged and are going to be down here in two weeks time, you say, with a specific national program. I would like to hear more about that in a moment.

Let me first welcome my good friend and colleague, Senator Durenberger.

Would you like to make an opening statement, Senator?

Senator **Durenberger**. Just briefly, Mr. Chairman.

I thank you very much. I have heard Governor Castle before; he is always enthusiastic.

Are you still in your first term, Mike?

Governor **Castle**. Yes, I am, my first term. Two more years to go.

Senator **Durenberger**. The Chairman is absolutely right.

The Chairman of this subcommittee knows almost all there is to know about this subject, but I find him a constant learner.

If there is anybody in America who is sensitive to this, it is Pat Moynihan. When he compliments you he means it. We have had experience together on a number of subcommittees now and in a number of environments. What I am particularly delighted about with my colleague from New York is that he doesn't know it all. And if I have to go into a minority status, it is kind of nice to have a majority with that view.

Some of the things that he is probably not aware of are the issues of the New Federalism—because when he was reduced to minority status in 1981, if he reacted half-way the way I have reacted this time, he wasn't paying a lot of attention to what was going on around him. But in 1981 we were exploring a New Federalism, because we had a new President. And not only did we have a new President, we had a new President who had been a Governor for eight years and who was practicing in the seventh largest nation in the world, California. He was practicing a sort of anti-federalism, if you will, at the time that cooperative federalism in America was starting to bear fruit—1966 to 1974.

President Reagan came to office as a devolutionist of responsibility with the concomitant pledge to bring the resources to the state and local level as well.

We, "we" meaning the Republicans, I guess, at that time had a somewhat difficult time dealing with the issue of responsibility, particularly for welfare. And in part it was a matter of having some difficulty in defining what we meant by "welfare" and/or "income maintenance" or however we chose to define it.

In pressing the President to get more involved in the issue, there was an unfortunate meeting in December 1981 that was sort of preplanned, I think, with a bunch of reporters, at which the President spoke. The only quote that came out of that meeting was something like, "Vote with your feet." It was a very unfortunate statement, because I am not sure it totally reflected the President's view. But that stimulated a lot of activity in 1982.

I participated in that activity, and some of the people on this list also participated in that activity, and some of the people who are here today represent organizations that participated.

What I found as the bottom line, when we got down to trying to implement a New Federalism and got beyond the budgetary side of it, was that our greatest problem was the acknowledgement of responsibilities by the national government. And we had this constant conflict that was best represented by this particular incident. The only time I can recall, up until recently, that the President called me out of breakfast was after I spoke to the National Association of Counties up in Baltimore. And the only thing that the reporter lifted out of that speech of mine was that I sounded as though I was characterizing the President's New Federalism as a "figleaf." The President didn't like that, because he had to go to Baltimore that day to address the counties.

So I said, "Please read my speech." He read it, and then I checked with him later. He still thought I had said the wrong thing.

The problem was that I said that the prevalent notion among the anti-federalists was that, in the period of the 1960's and the 1970's, a growing national government with its growing sense of power sought to consume the responsibilities of state and local governments by using the income tax mandate. I said that is sort of a fig leaf for what I perceived to be the reality, and the reality is the problem of capacity.

If you look into the 1960's, the capacity of the state and local government and the needs of particularly disadvantaged people in our society were limited. They were in part limited by lack of professionalism in legislatures, they were limited by the power of the rural legislators, they were limited by a total reliance on the property tax, and so forth.

And so one of our problems in coming to grips with the issue of reforming the welfare system, it seems to me, has always been our inability to acknowledge national responsibility, and the capacities of state and local government to help us meet those needs.

So I think things are different today, in terms of capacities; but I don't think the responsibilities have changed. I think it is still a national responsibility that as a nation we use the national government to deliver on a commitment to guarantee the people of this country access to a minimum economic level to have their needs met.

So, it is in that context of defining that particular responsibility that I come to the work that you have set out for us during the course of this day, by acknowledging it up front. I hope that the rest of us will make that acknowledgement, too, so we can go from there to defining where is drugs, and where is the homeless, and where is literacy and illiteracy, and all the rest of those issues.

Senator MOYNIHAN. Governor, I think you would agree. And I think the issue that Senator Durenberger has raised about a national responsibility is in place in the Social Security Act that we adopted 52 years ago. It is working wonderfully well for our aged and our disabled. It is not working well for our children.

Well, let us see if it can't be done. We have made the commitment, but we haven't found the means.

Now, sir, can I just say two quick things?

Governor CASTLE. Please.

Senator MOYNIHAN. First, I very much agree with your thought that there is a kind of unexpected, perhaps, but nonetheless welcome, coming together of different strands of thought on this subject and areas of interest at the national level, the State level, the City level. Congress, the Governors, and the Mayors seem to agree that something must be done.

I don't know if you have run into the term when, about a month ago, we had something happen called "syzygy," which is when the earth and the moon and the sun were aligned, and it caused all sorts of ruckus along the Eastern Shore of Maryland and Delaware, I'm sure. But there is this harmony that doesn't happen often, and when it does it has consequences.

I wanted to just emphasize what you said, that you find that in Delaware the best predicter of the incidence of welfare dependency is the rate of unemployment, Governor. If I can just cite the unpublished work of Professor David Elwood from Harvard's Kennedy School of Government. Over the last 20 years he has done a correlation. He can now predict the welfare incidence by a simple formula using a combination of simple wage rate data and unemployment rates. Elementally, when jobs go up, welfare dependency goes down. And it is the fact that in the particular types of jobs that you describe, they are scarcer.

The rise in welfare dependency in the last four years has been more associated with unemployment than with the changing family structure. Changes in family structure have followed a more steady line, while the unemployment rate has fluctuated more dramatically.

I want to thank you particularly for your reference to the issue of parental support. You obviously are working on it. Would you do a favor for this committee and let us know a little bit more in writing about what Delaware's experience has been? I don't think it was within your testimony, sir. I think you described it from your own experience.

Governor CASTLE. Well, let me tell you what we have been doing in the whole child-support area, if that is the question.

First of all, we have a very good and imaginative Secretary of Health and Social Services, and the program falls under his jurisdiction. He has really come to grips with this. We have, I think, seven Deputy Attorney Generals in a rather small state who are assigned to the area of working in the courts on the collection of support.

Senator MOYNIHAN. Seven?

Governor CASTLE. Yes, seven, which is a substantial number. Five years ago there were none, and today we are dealing with a number of lawyers who are helping with this.

Secondly, we put in a computer system. I have toured this a couple of times. So, we have put in a computer system that can bring in all kinds of information to check who people are, and where they are living, their employment circumstance, and a lot of information that is plugged into that—all the way from motor vehicle information to home ownership or rental information.

Senator MOYNIHAN. Do you use the Social Security information that is available?

Governor CASTLE. Yes.

Senator MOYNIHAN. Which we first made available in about 1950.

Governor CASTLE. Yes, we are using Social Security information. It is very up to date, and it is very helpful because you can recall the history of somebody very quickly by just plugging it in, and putting it on a screen and going from there.

We are doing what we believe we need to do in welfare. We are doing a lot more individual case studies. We are bringing the people in and really talking to them about what the problems are, and where the father may be, or whatever the circumstances may be, to really identify where that individual is.

And then we are going into the courts with the idea of enforcing it.

Also, in our legislature, as we need it, we are passing different standards, different measures. Each year now we are updating what we are doing, as we learn about different problems. But there is a definite focus on this, and it really cuts into some of your welfare payments. It is a significant program.

Senator MOYNIHAN. Did you say it is now 15 percent of your——

Governor CASTLE. Yes, that is being recovered now.

Senator MOYNIHAN. And I think the law specifically is that a mother accepting AFDC benefits consigns her family support to the state, which keeps it all, except for the first $50 each month, which is passed on to the mother.

Governor CASTLE. That is correct.

Senator MOYNIHAN. Could I ask you this? Perhaps you wouldn't want to offer any offhand remarks, but to the degree that you have a child-support system, you have parents in touch with their children, don't you?

Governor CASTLE. That is correct.

Senator MOYNIHAN. And you can show up. I would think this might be thought of not just as a punishment visited by the state on an erring parent, but as saying, "Come on, now, these are your children. You have to support them. They are your children, and they ought to know that you know that." Isn't there something in that?

Governor CASTLE. Well, I think it is very vital. I think it is very important in these kinds of systems to make early identification of paternity, and start to get the father, who is usually the absent parent, involved as early as possible, both in the upbringing of the child for support and in the financial support, which is needed.

I think often, from what I have discovered just because years ago I was a lawyer and did this kind of work in family court for private clients, people would go to the age of six or seven, and then they would start to realize the need for support. By then, the father was so removed from the situation that it was very hard to bring him into the parental situation.

I think if you start at an earlier age, you can do that. But I also would go further than that. I think we have a duty as elected officials to go out into the society and try to deal with the societal, if you will, or the community problems, to deal with the social leaders, the church leaders, the educators, and various people, in stressing the importance of the family situation. I don't think it is something government can regulate and put into effect with statutes; but I think its leaders, we can go out and deal with the community and suggest the importance of it, and deal with all of the community groups who do that.

I haven't done that as much as I would like to do. And frankly, in the next two years, I hope to do that a lot more: to have meetings in my office, to go out into the different parts of the community where these problems exist in the greatest abundance, often in the minority community, and talk to people about some of these changes.

I think it is necessary that we do that, too, as well as some of the economic things and the programmatic changes that we are all talking about now, which are so important.

Senator MOYNIHAN. That is your idea of a social contract.

Governor CASTLE. Exactly.

Senator MOYNIHAN. That society has the right to say, "This is what we expect of our members," and individuals have the right to know what society expects of them. And we have elections to decide whether everybody is in accord.

Could I ask, Governor, if you could just be a little more specific about your plans for three weeks from now? That is very important to this committee.

As we understand it, you are returning to Washington with a set of proposals, and we are not going to even think about addressing legislation in this committee until we have those proposals. Can you tell us what the current status is? Your arrangements and your preparations?

Governor CASTLE. Sure. We have sent out, Senator, to all of the Governors a proposed Policy on Welfare Reform. As you can see, it is in my hands here.

Senator MOYNIHAN. Could you let that be made part of our record?

Governor CASTLE. I am not sure if I can or not. We will try to, sir, but it is fairly confidential, in terms of what we are doing. But we will see if we can get clearance here; and if we can, we will make it part of the record.

Senator MOYNIHAN. NBC News may get it, and it will be on television.

Governor CASTLE. Well, I am not worried about that. I am not worried about any of that in particular.

But in any event, we have sent it out, and we have approximately 15 Governors looking at this now. We will have all of the Governors look at it.

We will adopt this policy, we think, in lieu of the existing welfare policies. We will have three hours to look at it on one day, and we will adopt it on the Tuesday, which is something like the twenty-second or twenty-third of February, at which point we will be ready to share it with the world.

It really incorporates a lot of what I discussed here today; it discusses prevention and various things. I won't go through all of the details of it.

In addition to that, we have sort of a strategic plan, which is: How do you put some of these things into effect? That is, in the states, in the Congress, in the various stages that we need to do, that will go along with this. This will be what we want to do, and then we will have a strategic plan that will discuss how to go about doing it.

Obviously, coming before your committee, discussing it with the White House, and all the various steps that we need to take.

So that is what our strategy is. And then, we hope in the course of the next year to constantly go back to this to see what else we can do to refine it and to make it better.

Senator MOYNIHAN. All right. Then we have a date on the twenty-second or the twenty-third?

Governor CASTLE. I believe that is correct.

Senator MOYNIHAN. Well, let us just agree right now. You are going to have your final document, and we will see that you have a chance to come here informally to the committee, to share with us the Governors' recommendations. We very much look forward to this, Governor. The sun and the moon and the earth are in a certain phase here, and with luck we may be able to do something for the children. And they are fortunate in the State of Delaware to have such a chief executive, that is so very clear.

We thank you very much.

Governor CASTLE. Thank you, sir.

Let me just stess, finally, that this is the key focus of the Governors this year. Governor Clinton has adopted this whole business of removing the barriers and worrying about welfare reform. It is the key focus of what all of the Governors are going to be doing this year. So, there is a great deal of focus in those three days that we are here, and we look forward to working with you.

Senator MOYNIHAN. That is the most important statement we have heard in these hearings so far. We thank you very much.

Governor CASTLE. Thank you, Senator. I appreciate the opportunity to be here.

Senator MOYNIHAN. Well, that is an important statement that we have just had.

Yes, we have a hearing on February twenty-three, so we will look forward to hearing from the Governors.

And now I have the pleasure of calling the Honorable Arthur Holland to the witness table. Mr. Mayor?

The Mayor of Trenton, New Jersey, is Chairman of the Mayors Advisory Board of the United States Conference of Mayors.

You are representing the Mayor's Conference, and I believe you have an associate with you, and we welcome you both here.

[Governor Castle's prepared testimony follows:]

National Governors' Association

Bill Clinton
Governor of Arkansas
Chairman

Raymond C. Scheppach
Executive Director

STATEMENT OF

THE HONORABLE MICHAEL N. CASTLE

GOVERNOR OF DELAWARE AND
CHAIRMAN OF THE NGA COMMITTEE ON HUMAN RESOURCES

before the

SUBCOMMITTEE ON SOCIAL SECURITY & INCOME MAINTENANCE PROGRAMS
COMMITTEE ON FINANCE

UNITED STATES SENATE

on

WELFARE REFORM

February 2, 1987

HALL OF THE STATES · 444 North Capitol Street · Washington, D.C. 20001-1572 · (202) 624-5300

Good Morning Senators. I'm Governor Mike Castle of Delaware and it's a pleasure to be here today as Chairman of both the Committee on Human Resources and of the Welfare Prevention Task Force of the National Governor's Association to talk with you about welfare reform.

Economic development and America's place in a global economy is on everyone's agenda this year. Like most current Governors, I spend a considerable amount of my time on my state's economic development efforts. A sound economy is essential to the well-being of Delawareans, not only because it provides jobs and the opportunity to improve their lives, but because it provides the state with the revenues it needs to implement valuable programs.

Any discussion of economic development inevitably gets around to the question of capital. Is the capital needed for economic expansion available? Do we need to establish some sort of venture capital fund? How much will it cost?

The answers to those questions vary from state to state, but there is one kind of capital all of us have in rich supply, and that is human capital.

Too often, however, we fail to develop that capital. While this nation has enjoyed phenomenal job growth in recent years compared with other developed nations, many Americans are being left further and further behind in their economic standard of living--at a time when opportunities abound.

The facts are well-known:

- Changes in many traditional American industries are causing permanent job dislocations for up to two million workers each year.
- About eight million working Americans are living in poverty because they don't earn enough to pay their own living expenses.
- Another twelve million Americans are on welfare and as many as one half of these people are the "hard-core" unemployed, people who have been out of work for so long that they lack even basic work skills.
- And two million more people must be included among the ranks of the hard-core unemployed--those who are not on welfare, either because they are not eligible, refuse assistance, or have medical problems.

Taken together, well in excess of twenty million of our citizens are unable to participate in any meaningful way in our economy. That is a tremendous waste of lives--and of human capital.

And it is for us to help our citizens benefit from prosperity by giving them the skills to participate in it rather than simply subsidizing unfulfilled lives. Welfare reform is an integral part of any effort to give full value to those lives.

Every Governor is involved in welfare reform to some degree, whether the rationale is improving the state's economy, solving a perplexing social problem or reducing the cost of state government--or all three.

But since President Reagan made it a top priority in his 1986 State of the Union message, we have been working together to achieve real gains by creating a system that not only supports people, but helps them regain the pride and dignity that go with independence.

Since the spring of 1986, I have chaired a task force of eight Governors to develop, on behalf of all the Governors, a comprehensive policy on welfare reform which would reflect the best thinking and practice in the states about how to design a welfare system which would foster self-sufficiency and individual pride.

The first part of this effort was to learn what individual states are doing to change traditional income security programs to make them reflect the need to help people get off welfare. In the process, we learned that the states, which have long claimed to be the laboratories of democracy, are living up to the claim in the area of welfare. Virtually every state has found better ways to help people get off welfare and find meaningful employment.

Late last year in Little Rock, the members of the Welfare Prevention Task Force reviewed what we had learned since the spring and approved a number of basic principles for a proposed National Governors' Association welfare reform policy. While only our task force Governors have approved these principles and they do not yet constitute Association policy, they are now being incorporated into a policy statement for the Governors to consider at our winter meeting later in this month.

The key components of our proposal include:

- A flexible, state-designed work program which accommodates remedial education, training, job placement and experience;
- A requirement that all recipients of cash assistance with children age 3 or more participate in a work program;
- A binding contractual agreement between the recipient and the government which lays out mutual obligations--the client to strive for self-sufficiency and the government to provide adequate support services for a designated period of time as the client moves towards economic independence;
- An enhanced case management system at the central point of intake and assessment of a client's needs, resources and the steps necessary to move the client towards self-sufficiency; and
- Movement towards a cash assistance program which would ultimately be a state-specific family living standard developed according to a nationally-prescribed methodology and paid, as a minimum, at a nationally-prescribed percentage of that state's family living standard.

Our proposal focuses on poor children and their families and reflects our belief that this is the group most in need of a new approach to assistance. Together these components represent a much improved approach to welfare, one that combines the unique abilities of the states to provide programs that work in the individual state and the federal government's responsibility to set national standards. They reflect the importance of eliminating the causes of welfare and providing each citizen with an opportunity to participate fully in the community and develop to his or her full potential. They recognize the differences in the ADFC population by focusing on individualized plans for achieving self-sufficiency through case management. They place a high value on work among clients and on governments' responsibility to remove the disincentives to work which currently mar the welfare system.

While our proposed policy focuses on repairing the current system for poor families and their children, Governors have also become convinced that the very best welfare reform strategy is the elimination of the root causes of welfare dependency. Our task force concluded that states must invest more heavily and systematically in prevention and early intervention strategies to eradicate or ameliorate problems before they demand the drastic and expensive solutions associated with our current welfare system.

Our Task Force has begun to draft a strategic plan for welfare prevention, the goals, objectives and strategies of which flow from five important planning assumptions:

o We must reduce the incidences of poverty and its debilitating effects on children and their families.

- We may have to invest more money up front but we believe that the states and the federal government can, over time, reduce public expenditures for welfare by targeting resources on programs which reduce the need of children and their families to resort to the welfare system.

- We believe that investment in human potential and spirit is the most critical piece of a good economic development strategy.

- We believed that our public welfare policy should advance the basic societal value that able-bodied individual should support themselves and their children through their own efforts.

- We must embrace the notion of a social contract which embodies the principle that responsibility for reducing dependency flows in two directions--the individual to strive for self-sufficiency and the society to remove the barriers to that achievement.

To further these planning goals, our strategic plan focuses on strengthening child support enforcement efforts in our states, providing sufficient quality day care to support our working families, and providing prenatal and primary health care for our children as well as looking at a variety of ways to create incentives for people to work such as extending Medicaid coverage to AFDC families for some period of time following their return to the work force.

In August, Governor Bill Clinton, accepting the chairmanship of the National Governors' Association, announced his desire to build on and expand the work of the welfare prevention task force by focusing on four of the specific programmatic objectives from the strategic plan and organizing Governors to begin to implement plans to accomplish those objectives--a road test of the Governors' strategic planning approach. The four new task forces are focused on gubernatorial leadership in developing state action plans to combat the problems associated with teen pregnancy, alcohol and drug abuse, school dropouts and adults with poor literacy skills.

One additional project I would like to mention is my Committee's "Focus on the First Sixty Months--a two-year project designed to elicit and share with our fellow Governors information on best state practices in an array of early childhood issues including health, preschool education and child welfare services. Last year we hosted a national conference around these issues and this year we will produce a resource manual describing best state practices and an implementation strategies manual to assist Governors interested in refocusing resources around key prevention initiatives for children.

All of our work reinforces our belief that there are key points in a person's life where effective intervention can dramatically alter an individual's or a family's direction towards health and independence. We must begin with our children, we must attend to the problems of our troubled adolescents and we must provide every incentive for our adult citizens to be productive and independent.

The nation's Governors are organized for action. We welcome the national debate on how best to make America work and to move closer to our shared ideal of a nation of opportunity for every citizen.

Thank you.

Statement by Senator George J. Mitchell
Subcommittee on Social Security and Family Policy
Welfare: Reform or Replacement?
February 2, 1987

Mr. Chairman, I commend you for your prompt attention to the issue of welfare reform. You and I have worked together in the past to show our support for the WIN program in the face of attempts to eliminate the only federal program in current law that is designed to educate and train welfare recipients to become permanently self-sufficient.

I look forward to working with you in the 100th Congress to reform existing welfare programs and develop new programs which will succeed in protecting the most vulnerable in our society while encouraging all persons who are able to work to do so.

As the Chairman of the Health Subcommittee I am particularly interested in provisions included in a number of welfare reform proposals which address the issue of health coverage for welfare recipients and their children.

Many poor persons in our nation do not have access to health care. Too often, when a welfare recipient does find a low-paying job, health insurance is not included as a benefit. This is particularly true of part-time employment and many jobs at the minimum wage.

This often places a mother in a position of choosing between a job which might provide enough to support her family, and health insurance for herself and her children. This is an unfair choice for anyone to be expected to make.

The federal government currently spends about $116 billion dollars on welfare related programs. We cannot continue to spend precious dollars on programs which are not working. I look forward to working with members of this subcommittee to carefully examine the proposals before us and to devise a viable solution to the existing crisis in income security programs.

STATEMENT OF HON. ARTHUR HOLLAND, MAYOR OF TRENTON, NJ, AND CHAIRMAN, U.S. CONFERENCE OF MAYORS ADVISORY BOARD, ACCOMPANIED BY LAURA WAXMAN, ASSISTANT EXECUTIVE DIRECTOR OF THE U.S. CONFERENCE OF MAYORS

Mayor **Holland**. This is Laura Waxman, the Assistant Executive Director of the U.S. Conference of Mayors.

Senator **Moynihan**. Ms. Waxman, we welcome you to these hearings.

Ms. **Waxman**. Thank you.

Senator **Moynihan**. Mr. Mayor, it is very good of you to come down from Trenton so early on a Monday morning, and we look forward to your statement, sir.

Mayor **Holland**. It is very good of you to receive us.

I speak, of course, on behalf of the U.S. Conference of Mayors. I would note as has just been indicated by the previous witness that our welfare system is badly in need of reform.

We are concerned, however, that it will be difficult to achieve positive reform given the problems of the federal budget and the need for deficit reduction.

In 1965, the Conference of Mayors called for a national minimum benefit for public assistance grants. In 1967 we reaffirmed this and called for incentives in the system that would encourage recipients to work. From 1970 to 1975 we called for a complete overhaul of the system—four times, through our policy process.

While the political and budget climate have changed dramatically since the Seventies, the need for welfare reform has not.

Early in his first term, President Reagan proposed his New Federalism initiatives. Of course there was a reference to that during the discussion when the Governor was speaking and Senator Durenberger was here. For the first time, the notion of trading Medicaid for AFDC and food stamps was proposed. The Conference of Mayors and other state and local government organizations opposed this approach, because it has long been our position that income-support programs are the responsibility of the Federal Government.

At our National Urban Conference on Federalism held in November 1981, the mayors said, "While the funding of income security programs should become primarily a federal responsibility, state and local goverments should maintain some involvement in the administration of income security programs to ensure that they are responsive to locally identified needs." And this remains our position today.

I think it is important to note that, regardless of what is said at the federal or state levels or what programs are adopted, the people about whom we are speaking live in our cities.

The issue of state and local government administration is an important one. Our governments are closest to the people and can best respond to their needs. Caseworkers can look at the various problems clients face, and pull together the different federal, state, and local resources available to respond to them. As we all know, the Federal Government is best at writing checks. I don't mean that in a smart-alecky way. In New Jersey, for example, tomorrow, we are having a state-wide rally. Mayors are coming from all over the state to the capital to discuss our present budget crisis. We simply do not have the resources, given our state system, insofar as taxation is concerned.

The Federal Government, regardless of whether there is welfare reform enacted, should assure that there is a national minimum benefit level for AFDC. AFDC is the federal response to the national program of poverty. Citizens across this nation should be treated equitably under it.

And the Federal Government should remove the disincentives to recipients that punish them for working and trying to become self-sufficient. The Omnibus Budget Reconciliation Act of 1981 changed AFDC in ways that made welfare more profitable than work for many recipients. Because of increased benefit penalties for earned income, many employed AFDC mothers could secure more cash for their families by quitting work and going on public assistance full time, and receive the added advantage of Medicaid in the process.

While subsequent legislative changes by Congress have partially restored AFDC work-disregards, work incentives are still less today than they were in 1981, and incentives to obtain additional income remain inadequate.

This leads us to workfare. Workfare as a punitive program can do more harm than good. Workfare jobs which are not properly supervised and do not lead anywhere do little to encourage or enable a recipient to become self-sufficient.

Workfare participants often are denied the status of regular employees, not provided standard benefits or full worker protections, and in some cases are not paid at rates commensurate with the work performed.

Workfare also does not save money, as has been suggested, because of the costs associated with operating it. Every objective evaluation of the program that has been conducted has concluded that it costs at least as much and sometimes much more to administer than it saves as the result of grant terminations of non-complying recipients.

But voluntary employment and training programs for welfare recipients can be successful. One of the best examples is the Employment and Training Choices, "ET" Program in Massachusetts. Using a combination of funds from the work incentive program, the Job Training Partnership Act, and the State Government, tens of thousands of welfare recipients have obtained full or part-time jobs since October 1983. These families chose a paycheck over a welfare check, and in the process they saved the taxpayers over $60 million in welfare benefits and brought the state's welfare case load to its lowest level in 12 years.

But "ET" should not be confused with workfare. It provides support services such as daycare and transportation, it provides career planning, education, and training, on-the-job training, and job development and placement services. Governor Kane of New Jersey proposed recently a similar program.

It is important to understand why "ET" has worked and welfare generally has not: It is voluntary. The Commonwealth of Massachusetts has been willing to spend some money on it—$40 million, including federal funds, last year. This, of course, represents an upfront investment that the Commonwealth expects will be returned.

The program also has been operating in a positive economic climate, where unemployment has been low and is decreasing. It is unlikely, however, that it would be as successful if unemployment were higher, the supportive services weren't available, or it was mandatory.

Unfortunately, it is very unlikely that we will soon see a reordering of our system which appropriately places the financial responsibility for income security programs at the federal level. In the meantime, it is important that we do not compromise our principles, that we do not start making swaps, known also as "devolution."

For the last several years, cities have had to fend off Administration proposals to end or cut back urban programs in the name of "federal deficit reduction," programs such as community development, employment and training. Unfortunately, many of the efforts to reduce and eliminate these programs have been successful. Now are we at the point where we will be asked to give up what is left of these programs in the name of welfare reform?

For example, I have always given top priority to daycare centers. I think this reflects, Senator, your philosophy, that if a mother wants to work, she will be a better mother because of that opportunity. In many cases that mother may not be literate, and, therefore, the child will be given a head start opportunity. And obviously, to the extent that she earns, she will reduce her reliance on public assistance.

Let us not lose sight of the fact that these are programs that directly attack the root causes of our welfare problem. They provide jobs, they provide services, they provide opportunities for personal economic independence that would simply not exist otherwise.

We should concentrate now on improvements in the current system. We should establish a national minimum benefit level. We should remove provisions which serve as a disincentive to work. We should assure that adequate employment and training assistance, along with necessary support services such as childcare, are available to welfare recipients, so that they will have a better chance at economic independence.

Senator, as your subcommittee continues its discussions of welfare, we in the Conference will be reviewing our positions over the years. We would appreciate the opportunity to work with you as we develop what we hope will be as close to the ideal system as can be established in our country.

Senator MOYNIHAN. Well, Mr. Mayor, we thank you very much.

The only thing I would take exception with in your remarks is that I don't know that we are ever going to get close to an ideal system. I don't know what an ideal system is. But we are going to do better by the children than we are now doing.

Let me go directly to a question that Senator Bradley asks that I put to you. Senator Bradley has to be in New Jersey this morning. He sends his regrets that he is not here.

Mayor HOLLAND. We are very proud of the Senator.

Senator MOYNIHAN. I will bet you are, and so are we. We have him on the Finance Committee, and it has made us all realize we still have something of a reputation left.

He asks: "Mr. Mayor, you see firsthand in Trenton the myriad of problems facing welfare recipients. How important is the provision of child care in any effort to help welfare recipients escape the welfare trap? Should child care for poor families be primarily financed at the federal level?" Just answer that in any order you will.

Mayor HOLLAND. Let me first describe the setting of those welfare recipients, so far as our city is concerned.

Trenton is one of thirteen municipalities in the County of Mercer. We are less than a third of the population. But 93 percent of the county's AFDC cases are in Trenton, constituting one-quarter of our population.

Senator MOYNIHAN. A third of the population?

Mayor HOLLAND. We are less than a third of the population.

Senator MOYNIHAN. And almost all of the ADC?

Mayor HOLLAND. Yes, 93 percent of the county's ADC cases, one-parent families.

Senator MOYNIHAN. A quarter of our population?

Mayor HOLLAND. Approximately a quarter. We are approximately 100,000 population, and they constitute over 20,000 of our residents.

Senator MOYNIHAN. Can I just interject to say that in our first hearing we talked about the problems of the existing system, that first of all there is always a heavy marginal rate of tax on earnings. If you start out with a grant, you are always taking a third or a half out, or the whole thing out.

Lastly, we said that we could never find the political support for this program, as witness the decline in benefits over the last 15 years.

And I might say that New Jersey is not at the top of the list in this regard. Since 1970, as you would know, Mr. Mayor, the real value of benefits to children under AFDC, Title IV of the Social Security Act, has dropped 51 percent, has been cut in half.

Mayor HOLLAND. That is a staggering statistic. I was not aware of that.

Senator MOYNIHAN. Well, in the average state, benefits have declined 33 percent—clearly, this system doesn't protect children. Nobody else has lost a penny in the Social Security System since 1970, in terms of the value of benefits. Benefits go up, but not for children.

Mayor HOLLAND. You asked specifically about Trenton, and it is probably an atypical situation as far as the tax structure is concerned.

New Jersey ranks annually as one of the top three richest states in the nation on a per capita income basis. It is always Alaska, Connecticut, or New Jersey. And yet we have almost no income at the local level except for real estate tax. And of course, as we are built up, given even moderate inflation——

Senator MOYNIHAN. You used to have revenue sharing, and you don't now.

Mayor HOLLAND. Well, yes. We lost $1,300,000 by the way, which helped us with our overall budget. And that is a serious loss. It was one of the reasons we are in crisis in New Jersey now and having this mass rally tomorrow.

We would ideally, of course—I think everybody would—like to see as close as possible a relationship in every way between the local government and those who are to be served by the local government. But so far as funding is concerned, absent a major move on the part of the state government which I think the present New Federalism calls for, and given the federal cutback, we simply can't and don't have the capacity to fund the needs locally.

Senator MOYNIHAN. Listen, let me make one statement, if I may. Whatever else this committee does, it is not going to get into the business of saying, "We have a great solution to this problem: let the mayors do it." We are perfectly aware—we are not "perfectly" anything, but we are much aware of the situation of Trenton.

Would you say that again? A quarter of the population of the capital of New Jersey is on welfare?

Mayor HOLLAND. Yes. And Senator, it is probably greater in Newark, which is the central city for Essex County, in Camden for Camden County, Patterson, Jersey City, Elizabeth and all the old central cities. This most urban state of ours with about 49 so-called "urban-aid communities," it can be said they all have a similar situation.

Senator MOYNIHAN. And New Jersey is not unique in that regard; it is just unique in how urbanized it is.

And here you have a situation, Mr. Mayor, where first of all you see the incidence of welfare dependency is not just random through the society; you have a third of the population of your county——

Mayor HOLLAND. Less than a third, or almost all.

Senator MOYNIHAN. Almost all.

Mayor HOLLAND. And then, over 20 percent of our citizens are senior citizens, but they don't have the kind of purchasing power with which to attract the kinds of quality stores you need as a tax base and a service center downtown.

Senator MOYNIHAN. And the children growing up in such a setting have to get damaged in the process, don't you think?

Mayor HOLLAND. The youngsters have problems in school, they make it difficult to keep the rate of rehabilition of housing ahead of the rate of destruction—we have five children, so I have found that difficult in our own family.

Senator MOYNIHAN. It is hard with three to do a lot.

Mayor HOLLAND. And the children might get addicted, might get involved in crime, and so on. It makes it very difficult for the cities to renew themselves, unless there is a sharing of the burden of housing of the poor, in accordance with good zoning and planning.

As it is now, we—least resourceful, and once the greatest sources of strength—are being asked to carry the greatest burden. The poor are really the nation's, the states' and the counties' poor, but they live in our cities, and we don't have the resources.

Senator MOYNIHAN. And you have a situation where half or 20 percent of your population is——

Mayor HOLLAND. Over 20 percent is senior citizens.

Senator MOYNIHAN. Is senior citizens, and presumably for the most part retired, and a quarter are dependent on welfare. The half in between, you have to take out of their real estate the capacity to maintain the rest of the arrangements. You don't do that, can't get there. And that is why. It has nothing to do with you; you don't have anything to do with it. You describe New Jersey as the third richest?

Mayor HOLLAND. Each year it is either Alaska, New Jersey, or Connecticut. I think we are number two this year. We have 567 municipalities, but about 50 of them are in dire straits.

Senator MOYNIHAN. Right. Here we are, two nations—to use Disraeli's old term—two nations right there in New Jersey. You have the second-highest per capita income in the nation, and since 1970 the real value of benefits to children from child support through the Social Security program has dropped 51 percent.

May I ask you just a hypothetical, Mr. Mayor? If in 1970 someone had come along in Trenton or Newark, wherever you like, and said, "I've got a plan; I would like to cut the provision for children in half," people would have thought that was just cruel and outrageous, would they not?

Mayor HOLLAND. Yes.

Senator MOYNIHAN. Yet it happened, but no one noticed.

Mayor HOLLAND. We have to keep in mind also that, since 1981, key urban programs generally in the nation have decreased from about $30 billion to about $9 billion, and it was through these various kinds of support, sometimes channeled through the state, that we were able to survive. But I have been predicting in my State of the City messages since around 1971 when I came back to office that, unless there was tax reform, or unless there was an accordance with good zoning and planning as sharing of the burden of housing of the poor, the time would come when a number of mayors would go into the state government and say to the Governor and legislative leadership, "Take our cities; we can no longer operate them effectively." That time has come.

Senator MOYNIHAN. And if we are going to design a real response to the Trentons of this nation, of which there are many, we certainly can't do it by saying, "Well, then, why don't you carry even more of the burden you now have?" That just won't do.

Mayor HOLLAND. We need help.

Senator MOYNIHAN. Well, listen—you have spoken very well, and you are going to stay in touch with us. You are going to see what the Governors propose on February 22, and we are going to hear from you.

Can we have an understanding that the Conference of Mayors will be represented, or be around here? We are going to have a hearing on the twenty-third of February. I see Ms. Waxman is taking notes, as a good associate from the headquarters would do. And we will expect you, Mr. Mayor, if you can do it, and if not, your representative or whomever you work out, to let us know your reaction to the Governors' proposals.

We understand your situation. I wrote the Presidential message that proposed revenue-sharing, and revenue-sharing that would pass directly through to municipalities such as Trenton, and we had something very specific in mind. We said that you can't run a federal system—the great genius in the federal system, its great resource, are persons such as yourself, who will spend half of a professional lifetime trying to make your city work. But you have got to have resources to work with.

Revenue-sharing was not just a transfer program; it was an idea in federalism. The idea was to provide federal assistance to the local governments, give them the resources to work, and let the localities handle these important matters in the way they see fit.

Here is Mr. Mitchell. Senator Mitchell, we have just had some excellent testimony from Mayor Holland from Trenton, New Jersey, who is speaking to us on behalf of the U.S. Conference of Mayors. Trenton, you might be interested to know and we just learned, has less than a third of the population of the county in which it is located—Trenton, of course, is the capital—less than a third of the population but has 93 percent of the County's welfare recipients.

Mayor Holland. Of ADC cases.

Senator **Moynihan**. AFDC, okay. A quarter of the population of the City of Trenton.

Senator Mitchell, would you like to make an opening statement?

Senator **Mitchell**. Thank you, Mr. Chairman. I have an opening statement that I will ask be placed in the record. I will just say that I commend you for your attention to this issue, for your leadership, and I look forward to working with you and the other members of the committee to see if we can make some important changes in what is a very significant area of public policy.

Senator **Moynihan**. Well, we have been getting some very good sense of that. Governor Castle of Delaware, who was testifying just before Mayor Holland of New Jersey, and the National Governors Association have made welfare reform their principal concern for 1987. They will have for us, on February 22, their proposals. We will have a hearing on February 23 to receive them, and we have just asked Mayor Holland if he or his representative won't be there, too.

I see we welcome Senator Wallop of Wyoming. Would you like to offer some remarks, sir?

Senator **Wallop**. No, sir. I will watch the progress from way down here.

Senator **Moynihan**. We can just sort of see you there. [Laughter.]

Senator **Wallop**. I know you are up there, because I can hear you.

Senator **Moynihan**. Well, from Wyoming, you are used to open spaces. [Laughter.]

Senator **Wallop**. I got it.

Senator **Moynihan**. Mr. Mayor, we thank you very much, and we thank Ms. Waxman for appearing.

Mayor Holland. Senator, thank you.

I would like to take this opportunity to thank you and commend you, because I have been around long enough to know what you have been doing over the years for our government.

Senator **Moynihan**. Thank you, sir, you are very generous.

Now, the final elected official to speak to us this morning—we are having a real parade of Federalism—is the Honorable Ann Klinger, who is the Supervisor of Merced—in Spanish is it "mercy"?

Ms. **Klinger**. Yes.

Senator MOYNIHAN. Yes. From Merced County, California, the Honorable Ann Klinger, who is Fourth Vice President of the National Association of Counties.

We are very pleased that you could come all the way across the country, snowbound, to Washington to speak to us. And we welcome you.

[Mayor Holland's written prepared testimony follows:]

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STATEMENT BY

ARTHUR J. HOLLAND

CHAIRMAN OF THE ADVISORY BOARD

U.S. CONFERENCE OF MAYORS

ON

WELFARE REFORM

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY
COMMITTEE ON FINANCE
UNITED STATES SENATE

FEBRUARY 2, 1987

SENATOR MOYNIHAN AND MEMBERS OF THE COMMITTEE, I AM ARTHUR J. HOLLAND, CHAIRMAN OF THE ADVISORY BOARD OF THE U.S. CONFERENCE OF MAYORS. WE APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING. OUR WELFARE SYSTEM IS BADLY IN NEED OF REFORM. WE ARE CONCERNED, HOWEVER, THAT WILL BE DIFFICULTY TO ACHIEVE POSITIVE REFORM, GIVEN THE PROBLEMS OF THE FEDERAL BUDGET AND THE NEED FOR DEFICIT REDUCTION.

IN 1965 THE CONFERENCE OF MAYORS CALLED FOR A NATIONAL MINIMUM BENEFIT FOR PUBLIC ASSISTANCE GRANTS. IN 1967 WE REAFFIRMED THIS AND CALLED FOR INCENTIVES IN THE SYSTEM THAT WOULD ENCOURAGE RECIPIENTS TO WORK. FROM 1970 TO 1975 WE CALLED FOR A COMPLETE OVERHAUL OF THE SYSTEM FOUR TIMES THROUGH OUR POLICY PROCESS. WHILE THE POLITICAL AND BUDGET CLIMATE HAVE CHANGED DRAMATICALLY SINCE THE 70'S, THE NEED FOR WELFARE REFORM HAS NOT.

EARLY IN HIS FIRST TERM, PRESIDENT REAGAN PROPOSED HIS NEW FEDERALISM INITIATIVES. FOR THE FIRST TIME THE NOTION OF TRADING MEDICAID FOR AFDC AND FOOD STAMPS WAS PROPOSED. THE CONFERENCE OF MAYORS AND OTHER STATE AND LOCAL GOVERNMENT ORGANIZATIONS OPPOSED THIS APPROACH BECAUSE IT HAS LONG BEEN OUR POSITION THAT INCOME SUPPORT PROGRAMS ARE THE RESPONSIBILITY OF THE FEDERAL GOVERNMENT. AT OUR NATIONAL URBAN CONFERENCE ON FEDERALISM, HELD IN NOVEMBER, 1981, THE MAYORS SAID: "WHILE THE FUNDING OF INCOME SECURITY PROGRAMS SHOULD BECOME PRIMARILY A FEDERAL RESPONSIBILITY, STATE AND LOCAL GOVERNMENTS SHOULD MAINTAIN SOME INVOLVEMENT IN THE ADMINISTRATION OF INCOME SECURITY PROGRAMS TO INSURE THAT THEY ARE RESPONSIVE TO LOCALLY IDENTIFIED NEEDS." THIS REMAINS OUR POSITION TODAY.

THE ISSUE OF STATE AND LOCAL GOVERNMENT ADMINISTRATION IS AN IMPORTANT ONE. OUR GOVERNMENTS ARE CLOSEST TO THE PEOPLE AND CAN BEST RESPOND TO THEIR NEEDS. CASE WORKERS CAN LOOK AT THE VARIOUS PROBLEMS CLIENTS FACE AND PULL TOGETHER THE DIFFERENT, FEDERAL, STATE AND LOCAL RESOURCES AVAILABLE TO RESPOND TO THEM. AS WE ALL KNOW, THE FEDERAL GOVERNMENT IS BEST AT WRITING CHECKS.

THE FEDERAL GOVERNMENT, REGARDLESS OF WHETHER THERE IS WELFARE REFORM ENACTED, SHOULD ASSURE THAT THERE IS A NATIONAL MINIMUM BENEFIT LEVEL FOR AFDC. AFDC IS A FEDERAL RESPONSE TO THE NATIONAL PROBLEM OF POVERTY. CITIZENS ACROSS THIS NATION SHOULD BE TREATED EQUITABLY UNDER IT.

AND THE FEDERAL GOVERNMENT SHOULD REMOVE THE DISINCENTIVES TO RECIPIENTS THAT PUNISH THEM FOR WORKING AND TRYING TO BECOME SELF-SUFFICIENT. THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 CHANGED AFDC IN WAYS THAT MADE WELFARE MORE PROFITABLE THAN WORK FOR MANY RECIPIENTS. BECAUSE OF INCREASED BENEFIT PENALTIES FOR EARNED INCOME, MANY EMPLOYED AFDC MOTHERS COULD SECURE MORE CASH FOR THEIR FAMILIES BY QUITTING WORK AND GOING ON PUBLIC ASSISTANCE FULL-TIME -- AND RECEIVE THE ADDED ADVANTAGE OF MEDICAID IN THE PROCESS. WHILE SUBSEQUENT LEGISLATIVE CHANGES BY CONGRESS HAVE PARTIALLY RESTORED AFDC WORK DISREGARDS, WORK INCENTIVES ARE STILL LESS TODAY THAN THEY WERE IN 1981, AND INCENTIVES TO OBTAIN ADDITIONAL INCOME REMAIN INADEQUATE.

THIS LEADS US TO WORKFARE. WORKFARE AS A PUNITIVE PROGRAM CAN DO MORE HARM THAN GOOD. WORKFARE JOBS WHICH ARE NOT PROPERLY SUPERVISED AND DO NOT LEAD ANYWHERE DO LITTLE TO ENCOURAGE OR ENABLE A RECIPIENT TO BECOME SELF-SUFFICIENT. WORKFARE

PARTICIPANTS OFTEN ARE DENIED THE STATUS OF REGULAR EMPLOYEES, NOT PROVIDED STANDARD BENEFITS OR FULL WORKER PROTECTIONS, AND IN SOME CASES ARE NOT PAID AT RATES COMMENSURATE WITH THE WORK PERFORMED.

WORKFARE ALSO DOES NOT SAVE MONEY, AS HAS BEEN SUGGESTED, BECAUSE OF THE COSTS ASSOCIATED WITH OPERATING IT. EVERY OBJECTIVE EVALUATION OF THE PROGRAM THAT HAS BEEN CONDUCTED HAS CONCLUDED THAT IT COSTS AT LEAST AS MUCH -- AND SOMETIMES MUCH MORE -- TO ADMINISTER THAN IT SAVES AS A RESULT OF GRANT TERMINATIONS OF NON-COMPLYING RECIPIENTS.

BUT VOLUNTARY EMPLOYMENT AND TRAINING PROGRAMS FOR WELFARE RECIPIENTS CAN BE SUCCESSFUL. ONE OF THE BEST EXAMPLE IS THE EMPLOYMENT AND TRAINING CHOICES ("ET") PROGRAM IN MASSACHUSETTS. USING A COMBINATION OF FUNDS FROM THE WORK INCENTIVE PROGRAM,THE JOB TRAINING PARTNERSHIP ACT AND THE STATE GOVERNMENT, TENS OF THOUSANDS OF WELFARE RECIPIENTS HAVE OBTAINED FULL- OR PART-TIME JOBS SINCE OCTOBER, 1983. THESE FAMILIES CHOSE A PAYCHECK OVER A WELFARE CHECK -- AND IN THE PROCESS SAVED TAXPAYERS OVER $60 MILLION IN WELFARE BENEFITS AND BROUGHT THE STATE'S WELFARE CASELOAD TO ITS LOWEST LEVEL IN TWELVE YEARS. BUT "ET" SHOULD NOT BE CONFUSED WITH WORKFARE. IT PROVIDES SUPPORT SERVICES SUCH AS DAY CARE AND TRANSPORTATION, IT PROVIDES CAREER PLANNING, EDUCATION AND TRAINING, ON-THE-JOB TRAINING, AND JOB DEVELOPMENT AND PLACEMENT SERVICES.

IT IS IMPORTANT TO UNDERSTAND WHY "ET" HAS WORKED AND WORKFARE GENERALLY HAS NOT. IT IS VOLUNTARY. THE COMMONWEALTH OF MASSACHUSETTS HAS BEEN WILLING TO SPEND SOME MONEY ON IT -- $40 MILLION (INCLUDING FEDERAL FUNDS) THIS YEAR. THIS, OF COURSE, REPRESENTS AN UP FRONT INVESTMENT THAT THE COMMONWEALTH EXPECTS WILL BE RETURNED. THE PROGRAM ALSO HAS BEEN OPERATING IN A POSITIVE ECONOMIC CLIMATE WHERE UNEMPLOYMENT HAS BEEN LOW AND DECREASING. IT IS UNLIKELY, HOWEVER, THAT IT WOULD BE AS SUCCESSFUL IF UNEMPLOYMENT WERE HIGHER, THE SUPPORTIVE SERVICES WEREN'T AVAILABLE, OR IT WAS MANDATORY.

UNFORTUNATELY IT IS VERY UNLIKELY THAT WE WILL SOON SEE A REORDERING OF OUR SYSTEM WHICH APPROPRIATELY PLACES THE FINANCIAL RESPONSIBILITY FOR INCOME SECURITY PROGRAMS AT THE FEDERAL LEVEL. IN THE MEANTIME, IT IS IMPORTANT THAT WE DO NOT COMPROMISE OUR PRINCIPLES, THAT WE DO NOT START MAKING "SWAPS."

FOR THE LAST SEVERAL YEARS CITIES HAVE HAD TO FEND OFF ADMINISTRATION PROPOSALS TO END OR CUT BACK URBAN PROGRAMS IN THE NAME OF FEDERAL DEFICIT REDUCTION -- PROGRAMS SUCH AS COMMUNITY DEVELOPMENT, EMPLOYMENT AND TRAINING. UNFORTUNATELY MANY OF THE EFFORTS TO REDUCE AND ELIMINATE THESE PROGRAMS HAVE BEEN SUCCESSFUL. NOW ARE WE AT THE POINT WHERE WE WILL BE ASKED TO GIVE UP WHAT IS LEFT OF THESE PROGRAMS IN THE NAME OF WELFARE REFORM?

AND LET'S NOT LOSE SIGHT OF THE FACT THAT THESE ARE PROGRAMS THAT DIRECTLY ATTACK THE ROOT CAUSES OF OUR WELFARE PROBLEM. THEY PROVIDE JOBS, THEY PROVIDE SERVICES, THEY PROVIDE OPPORTUNITIES FOR PERSONAL ECONOMIC INDEPENDENCE THAT WOULD SIMPLY NOT EXIST OTHERWISE.

WE SHOULD CONCENTRATE NOW ON IMPROVEMENTS IN THE CURRENT SYSTEM: WE SHOULD ESTABLISH A NATIONAL MINIMUM BENEFIT LEVEL. WE SHOULD REMOVE PROVISIONS WHICH SERVE AS A DISINCENTIVE TO WORK. WE SHOULD ASSURE THAT ADEQUATE EMPLOYMENT AND TRAINING ASSISTANCE, ALONG WITH NECESSARY SUPPORT SERVICES SUCH AS CHILD CARE, ARE AVAILABLE TO WELFARE RECIPIENTS SO THAT THEY WILL HAVE A BETTER CHANCE AT ECONOMIC INDEPENDENCE.

I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE YOU THIS MORNING AND WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

STATEMENT OF ANN KLINGER, SUPERVISOR, MERCED COUNTY, CA, AND FOURTH VICE PRESIDENT, NATIONAL ASSOCIATION OF COUNTIES

Ms. KLINGER. Thank you, Mr. Chairman.

Members of the subcommittee, on behalf of the National Association of Counties, thank you for the opportunity to speak to you today about welfare reform.

As you know, counties play a significant role in delivering human services. Counties in 13 states, including some of the more populous states such as California, New York, Ohio, and New Jersey, pay for a portion of the administrative costs and/or benefits costs, the actual cash grant, for AFDC. At least 28 states have general assistance programs where, in many instances, county budgets fully fund the program. Almost every county participates in some portion of the network of welfare social services and employment programs by providing its own tax dollars.

We used to have revenue-sharing to assist with that. As an aside, Mr. Chairman, I will say I appreciate all of your efforts in urging its reauthorization last year.

Because of our participation, we are very aware of the patchwork of uncoordinated programs and the burdensome paperwork for both our county workers and our clients. NACo has long called for taking interim steps to reform the current system, with the ultimate goal of completely replacing it with a comprehensive system. The new system would provide employment opportunities at adequate wages for those people who are able to work, and a simplified income assistance program for our county residents who are unable to work—in short, a jobs system instead of a welfare system.

NACo drafted welfare proposals in 1976 and 1977. During the fall of 1977, we had hundreds of county officials here in Washington. They attended a welfare rally at the Mayflower Hotel and on the steps of the Capitol. And Mr. Chairman, as a first-year freshman senator you spoke to our group then, and during that talk you recalled that you predicted in July 1970 that, if welfare reform were not enacted that year, it would not become law in that decade.

Senator MOYNIHAN. By God, there is an institutional memory. [Laughter.]

Ms. KLINGER. You asked us to prove your prophecy wrong. We worked with you, and though your 1970 prediction came true, we felt the need for reform required our continued effort. In fact, I brought with me today a September 1977 County News, where counties were still rallying for welfare reform, and Mr. Moynihan's picture is on the back, speaking to us again on that subject. We do appreciate our long relationship and are hopeful that we are going to see some true reform, some true replacement.

We revised and expanded our proposals in 1981, and we currently have a welfare and work task force that is going to be meeting again this weekend. They will be meeting Friday, Saturday and Sunday here in Washington and again at our legislative conference in March. While many of the recommendations we made 10 years ago are still appropriate, we are reshaping them to fit the political and fiscal realities of today.

As an elected official, I am very well aware of the national statistics that this subcommittee described in your earlier hearing. It is a national tragedy that one of every four children is born into poverty. It is a national concern that 60 percent of all children can expect at some point to live in a single-parent family, a factor which dramatically increases the risk of falling into poverty.

It is also a national concern that there are millions of the working poor who cannot lift themselves out of poverty, even though they have full-time jobs.

Yet, sometimes these national statistics are not as powerful unless they are broken down to the local level, where there are real children and the families who want to work. They come to us, the elected and appointed county officials, for help.

My home county of Merced is located in the San Joaquin valley, the heartland of the state. We have a population of about 160,000, and we are one of the top agricultural counties in the nation. As in other counties, the farm crisis has hurt Merced. Our unemployment rate has been in double digits for more than four years and it is almost 14 percent currently. It peaked at close to 20 percent in the early 1980's, in one particular month of February. But this is our annual average statistic, so we have peak months much higher than this. Because of this, we have 19 percent of our residents on AFDC, food stamps, or Medicaid. Now, that is an unduplicated count that I am giving you.

Senator MOYNIHAN. You mean there is no double-counting there?

Ms. KLINGER. That is my understanding of our statistics, that we have worked this out as an unduplicated count.

Our caseload growth has skyrocketed between 1980 and 1985. It grew by over 46 percent, compared to California's overall increase of 9.9 percent.

Now, we recognize that this is due in part to the secondary migration to our county of about 9500 Southeast Asian refugees, most of whom arrived in 1981 and 1983. You heard me correctly, Senator—out of a population of 160,000 people. These are primarily the Hmong. Now, the Hmong are a wonderful people, but they are from a pre-literate culture, with no written language until about 30 years ago, and they have a tradition of farming that is completely different from our own: having pigs root for banana roots in the mountains of Laos is quite different from modern agribusiness practices in my home county, to put it mildly. They now make up—that is, the Hmong—32 percent of our total AFDC program. And if you deal only with the AFDC–U program, only the AFDC–U caseloads, they make up 50 percent of that.

Now, there are about 25 states that have AFDC–U, and I would like to make a plea for some immediate relief in the hundred-hour rule for those who are on AFDC–U. If they work 100 hours in any month at the minimum wage of $3.35, they are deemed to have full employment. Well, you can't support a family of six, seven, or eight, or even four, on that. But that forces them off, and it makes some people reluctant to accept help.

Senator MOYNIHAN. That is a dead drop, too, isn't it? Am I right? Yes. You go 101 hours, and, bang, you are off.

Ms. KLINGER. Correct. That also means that they lose any Medicaid benefits, in certain circumstances.

Nearly 92 percent of our AFDC family group caseloads have the male absent. The mothers in 46 percent of that caseload are under 29 years of age, and 38 percent in this particular category of the overall heads of households do not have a high school degree. They are not prepared. They are not job-ready, even if we had a job for them, with our high unemployment rate.

Finally, 22 percent of our cases on AFDC family groups stay on welfare less than a year. Another 22 percent stay one to two years, 23 percent for three to four years, and the remaining 33 percent are on for five years or longer.

Now, with bipartisan support in the State of California, our state legislature last year enacted a new reform program for welfare. It was signed by the Governor, and we call it GAIN--Greater Avenues for Independence.

We are excited about our GAIN program in Merced County. We expect it to be approved about April 1. A few counties have it underway. No county has had it underway, obviously, for very long, since it was simply assigned last fall; but the essential philosophy of the Merced County plan is that people do not come to our human services agencies for a handout; rather, they will come as a participant with us to develop skills to make them more competitive in our local economy.

Now, for some clients we know this is going to be a long-term process. But when new businesses develop within the county, we will work with those businesses and develop prime source contracts to make slots available for our human services clients.

We know, in our farm economy, that we must have economic development to provide the jobs needed to get that unemployment rate down. We are redefining public assistance. No longer is it a reactive program that maintains people by providing cash and other resources to allow them just to get by. The system in Merced County and in the rest of California is becoming pro-active, a proactive system that will promote self-sufficiency with an array of services.

As we were developing our new GAIN program that we hope to enact on April 1, we did a survey of those who are on AFDC, and this is what we found out:

Overall, across all of the AFDC categories, 40 percent do not have a high school education, 34 percent—34 percent—do not have English as their primary language. They really need English as a Second Language. One-third identified themselves as having no job skills. And of course, with our Hmong population, that is even higher. Two-thirds need transportation to get to a job, if they have one, and 76 percent say they need childcare if they are to work.

For the record I have attached an outline of NACo's 1981 and 1976 proposals, so I won't talk about those at length. However, I do want to describe our general position on how counties view both their role and the Federal Government's as we restructure the system.

I am confident that together we are going to restructure this system.

First, our system should have uniform standards of eligibility across programs, and should provide benefits that are adjusted for state and local differences in costs of living. This approach would be similar to the family living standard outlined in the American Public Welfare Association's "Matter of Commitment" report. Such an approach would be fair to the client needing assistance and, by reducing federal regulations, would allow county caseworkers to spend more time with the client. In other words, instead of paperwork, we would actually be working with the recipients to be sure their needs are being met, not the needs of some technical regulation either at the state level or here in Washington.

Many caseworkers have complained that the current blizzard of federal regulations has changed the relationships between them and their clients, sort of setting up the premise that someone is choosing to be poor, and we know that almost all of the people who can work, want to work.

Second, federal proposals must recognize that many states and counties are already initiating innovative reform programs of their own, such as California. Federal legislation should provide maximum administrative flexibility and fiscal incentives to encourage those states and counties to continue to develop programs that link welfare and employment and training services, and in some instances education for those people who have not had that opportunity. We have a lot of people in our county who just can't read.

Third, we agree that the primary responsibility for supporting children rests with the family. One approach is designing performance contracts with the clients. And while NACo currently doesn't have a policy position on mandating client-agency contracts, I believe our task force will look closely at supporting an approach similar to the one we have in California under GAIN. This contract will make clear to both the caseworker and client what is expected of them to make them independent again.

Improved enforcement of the existing child-support program is also critical to encouraging family responsibility. Now, we understand that some counties may need to work harder in collecting support, but it is not an easy job.

But let me tell you about Merced County's experience with this; it is one of success. For every dollar invested, we get a $5-return. We have 7000 active cases currently on the books, that are open, and how do we achieve this kind of success rate? Well, vigorous enforcement. But we have coupled that with a data processing system that works, that has given us the tools to do the job.

Finally, while we believe that counties should be given flexibility in responding to their unique circumstances, we also believe that fighting poverty is a national responsibility, requiring national leadership and resources. National policy must recognize that counties such as mine may require different types of resources to serve long-term clients such as our Hmong refugees. Policies must also recognize that other groups such as displaced workers require different services tailored to their circumstances.

I see the red light is on, so I will stop there.

Senator MOYNIHAN. Are you finished?

Ms. KLINGER. I have a couple of more comments I would like to make.

Senator MOYNIHAN. Ms. Klinger, you came here from California. [Laughter.]

Ms. KLINGER. Thank you.

As an elected official from a county with a farm economy, I would like to add a personal plea that farm closures receive the same attention as plant closures, as we move and take a look at displaced workers.

Also, as we work together on economic development in our communities, let us make an investment in families and children now for a payoff in the future years, so they can be where they want to be instead of on the welfare rolls.

I thank you for this opportunity to testify. I would be happy to answer any questions which you may have.

Senator MOYNIHAN. We thank you for extraordinary, explicit testimony. It is very, very important to this member of the committee.

Senator Mitchell?

Senator MITCHELL. Thank you, Mr. Chairman.

Ms. Klinger, I was interested in your brief comment on Medicaid. One of the problems, of course, is that when persons on AFDC leave that they lose their Medicaid coverage, and that creates a reluctance for people to do so. Do you have any view on recommendations made by a number of welfare reform proposals which would mandate continued Medicaid coverage for AFDC recipients during the transition period, to phase them off the system gradually?

Ms. KLINGER. As I have said, we have a task force who are looking at all of these issues now. Since they are going to be spending three intensive days this weekend and meeting again in March, I would like to indicate that we certainly will be advising the committee of any change in that.

I certainly have testified previously on behalf of NACo before congressional committees concerning the unemployed and having some kind of health insurance for the unemployed. This is an issue of great concern, and especially of great concern in view of the new legalization program as well under the Immigration Bill.

Senator MITCHELL. Well, attached to your statement is a summary of welfare-reform recommendations by your organization in 1976 and 1981. I was especially interested in the Medicaid provision, which says, and I quote, 'Current platform supports national health care financing of basic health coverage financed by a national tax system."

Are you able now to explain that? And if not, could you do so in writing to the committee, please?

Ms. KLINGER. I would be happy to provide it in writing to the committee. That is part of our 1986 platform. Since we have such an active committee, I want to be sure that you have the very latest thoughts of the National Association of Counties in that regard; it is such an important issue.

Senator MITCHELL. Well, I would appreciate it if you would do that. Determine first if this is still the organization's position and, if so, explain it in some detail; and, if not, tell us what the organization's current position is in that regard.

Ms. KLINGER. I would be delighted to do that.

[The information follows:]

HEALTH AND EDUCATION

5.1 HEALTH—STATEMENT OF BASIC PHILOSOPHY

NACo recognizes and endorses a progressive, broad definition of health and stresses the interdependency of health services with other human resource programs. Since counties are primary providers of public health and medical care, county health care agencies and public health departments should be involved in the planning and development of the health and mental health aspects of related services and programs, including, but not limited to: welfare, education, hospitals, sanitation, air quality, transportation, and social services.

Counties further recognize the inadequacies of personal health services and health care delivery and have given these matters a great deal of study and evaluation. Since people and health services, or their lack, meet at the local level, there should be a significant county role in any federal programs that are enacted. Counties have an additional concern to be involved in any national health legislation, since they must provide health protection coverage for over two million country employees plus their families. Counties provide and/or finance the delivery of health services for a major proportion of citizens with limited financial resources who are currently without health insurance. Counties also provide specialized services not generally available, train health manpower for their own institutions, and serve the general public and private sectors.

These acute and long-term institutional services, as well as the broad range of public health services, are an important element in our health care and public health system. They are the only institutions and services which are responsible to elected officials and ultimately to the entire electorate. Since they provide a service to those too poor, too sick, and too rural, to those who cannot find care elsewhere, and to the general public at large, they represent an important and ongoing service component of the overall health care, disease prevention, and health promotion system. In partnership with the state and federal governments, NACo believes that counties should assure that these services are provided in a professional, cost-effective, and humane manner.

Counties therefore endorse new approaches to health care delivery and financing which will help solve the nation's health care problems, meet citizen needs, and provide a significant role for county governments. Counties also recognize that improved socioeconomic conditions will improve the health of our people.

NACo asks for legislative review by the Congress of each program periodically to assure that the intent of the program is being carried out. This review should give full consideration to the views expressed by each level of government.

5.2 NATIONAL HEALTH CARE AND HEALTH INSURANCE PROGRAMS

Comprehensive health benefits must be made available to the whole population, regardless of residence or socioeconomic differences. A national health care financing program should provide comprehensive, personal health services, including preventive, ambulatory, inpatient, mental, dental, prescription, and restorative care, with emphasis on "wellness care" in addition to "sickness care." Needed services should be phased in gradually and constantly evaluated, so that quality is assured and waste, duplication, and red tape are minimized.

5.2.1 Integration of Local Health Services—New legislation must foster, encourage, and provide incentives for the integration at the local level of health and social services to secure more comprehensive health care, including personal and preventive health services, hospitals, environmental health, programs for the elderly, maternal and child health programs, ambulatory care centers, health maintenance organizations, emergency health services, dental care, mental health care, services to the mentally retarded and developmentally disabled, alcohol and drug abuse, family planning, rehabilitative services, education services, prescription services, and home health care. Counties should be eligible to receive federal and other funds to plan, operate, coordinate, and contract for these services. Health maintenance organizations and other health planning and service delivery agencies could be the first step toward providing the needed health care delivery mechanisms at the local level.

5.2.2 Health Manpower—Existing and future comprehensive health manpower training programs must provide financial incentives to medical schools and other health educational institutions (public health, allied health, nursing, and other related programs) to increase their enrollment and to make the length and content of their curriculum more flexible. During the years of formal medical training, medical students should be required to secure experience in community medicine and public health programs. Medical students should also become familiar with problems of health care financing and administration. Increased emphasis should be placed on training and use of allied health and other professional health personnel in providing health care.

The training of medical professionals is of great national importance and many counties have extensive programs in this area. A national health insurance program will increase the demand for skilled medical manpower. The cost of operating these medical educaiton programs should not be a county obligation. County health departments participating in formal training programs should be eligible for reimbursement. NACo endorses expanded roles for nurses and other professionals in providing health care. Efforts to secure better distribution of health manpower (such as the National Health Service Corps) should be endorsed. Emphasis should be given to programs designed to improve the geographic and specialty distribution of health providers and to ensure equal access to health professions.

5.2.3 Facilities Construction and Capital Financing—A reappraisal is indicated for all types of county health facilities construction, especially acute care hospitals. The maintenance and refurbishment of present health and hospital facilities should be carefully appraised to determine where the facilities are needed. Congress and the administration should appropriately fund health and hospital construction grant programs on a continuing basis. Highest priority should be given to new construction projects for public health centers and to modernization and renovation projects for existing facilities.

New construction and modernization should be in accordance with appropriate standards (accessibility for handicapped persons). Special emphasis should be given to stress compliance with 504 regulations in the construction, expansion, or renovation of health facilities.

Counties also are faced with a special problem in obtaining adequate, modern health care facilities in which to provide services. Counties do not have the availability of all of the normal sources of capital financing which are available to nonpublic organizations and therefore are in need of federal assistance.

5.2.4 Utilization and Review of Health Services—NACo endorses utilization, evaluation, and review mechanisms for all health services at the local level. The concept of peer review is endorsed with the provision that all mechanisms are to be subjected to periodic study and review. Local elected officials must be invoved in the evaluation effort.

5.2.5 National Financing for Health Care—All federal health care programs must be adequately funded and must not increase the burden on the local tax base for funding purposes. NACo maintains that current funding mechanisms for health services delivery are inadequate and inequitable in meeting the health care needs of citizens. In many communities, Medicaid results in a two-tier system of care and an uneven distribution of services related to factors such as disparities in the capacities of local tax structures and inequitable reimbursement to providers. This often has a negative impact on citizens in those communities most in need of public sector assistance.

NACo supports efforts to constrain the rate of growth of national health care expenditures through a process of financing reform. As health care costs continue to escalate, reform of Medicare and Medicaid becomes increasingly important to all levels of government. Measures to reform these programs should be achieved in the context of reforming the entire system of financing health care service delivery. A system to contain spending ought to be applied to Medicaid, Medicare, and all other third-party payers. Measures to cut federal spending alone would shift costs to the local property tax, rather than reduce total health care expenditures, thereby reducing the quality and availability of care where localities are unable to accept that added burden.

NACo declares the issue of indigent health care costs to be a top-priority health care issue facing counties today. County governments have a large and multifaceted role in our national health insurance system. Therefore, the national system must reflect a consideration of the responsibilities of counties in assuring the positive health status of their citizenry.

In order to be truly responsive to the complete health care needs of the nation's residents, NACo believes that a program for national health care financing must be based on the following principles:

A. The financing mechanism must be a broad-based national tax system. Delivery of care should not be permitted to reflect the widely varying capacities of local economies to finance health care services. Access to basic care should not be a function of the local economy or income. This position is based upon three observations: (1) Medicaid plans vary from state to state. Thus, the medically indigent residing in one state are commonly denied services available to those in other states; (2) counties provide and fund health services for those without health insurance; Medicaid programs which provide fewer services place a greater workload on county health agencies and hospitals; and (3) those states which require county support in Medicaid funding increase the burden on county revenues.

B. The program must provide a required basic level of coverage to all residents of the United States.

The benefit package should contain a basic level of services set by the federal government in consultation with state and local elected officials. State and local governments may add additional services financed by state or local funds. However, the program must reimburse counties for the cost of care to specialty cases, such as aliens, refugees, working poor, disabled but working persons, prisoners, migrants, transients, and other indigents who are presently "unsponsored" by third-party insurance programs.

C. The financing method must be at a level of spending responsive to health needs and to the rate of inflation, neither freezing expenditures at current levels nor leading to excessive future investment in health services.

D. The federal program must pay for preventive and ambulatory care, as well as for institutionalized treatment of illness. There must be no economic deterrent to early detection and treatment of health conditions. There should be an emphasis on relatively low-cost ambulatory and home care services, rather than high-cost institutional care.

E. There must be effective cost control with at least three elements: (1) resource allocation and planning, (2) predetermined budgets appropriate to local conditions, and (3) reasonable controls on capital expansion.

F. A system of effective quality control should ensure that professional standards for the delivery of care are met. This demands adequate professional and peer review.

G. There should be incentives for client and provider cost-consciousness. Consistent with medical necessity, there must be no arbitrary limit on the quantity of services available to patients, such as limitations on the number of days of inpatient care or on the number of outpatient visits. However, to promote patient responsibility, careful attention should be given to opportunities to allow individuals to financially participate, according to their means, in the delivery of their health care.

H. Reimbursement principles should reflect the widely varying conditions under which different types and sizes of providers operate. County and other local government-operated hospitals, clinics, and nursing homes must receive adequate reimbursement for the higher costs incurred in treating the often more seriously ill patient with multiple problems, including the medically indigent, the mentally ill, and those suffering from alcoholism and drug abuse, and in providing needed services which are often unavailable in other institutions.

I. Incentives should be included to improve facilities and health delivery systems, and to allow multiple types of systems, to assure free choice of alternative care.

J. Families and individuals should be protected against catastrophic costs of serious illness.

K. Providers should be reimbursed for the cost of medical audits, utilization review, and other quantity and quality control costs of administering the program.

L. A program should include a continuing, integral role for counties—planning and administering national programs for health care financing, reflecting the responsibilities which county governments continue to have for the health and welfare of their constituents.

M. Under any national program, local governments will continue to develop or refine their methods of assuring access to health care for the populations for whom financing is only one of many barriers to health and health care. Local governments also should provide communitywide health services, including public health and medical care.

N. The National Association of Counties recognizes strong county government as an essential component and partner in the effective operation of the nation's health care delivery system.

Local governments which are closest to the people, and therefore, providers of last resort, must be assured an effective role in the development and implementation of federal-state-local health programs.

NACo continues to support consolidation of discretionary health programs where it is assured that the following principles will be applied and have been adhered to in the implementation of the present block grants.

- Programs within block grants should be controlled by elected county, state, and city officials ensurable directly to the taxpayers.
- Federal block grant proposals must be developed in close consultation with local government officials.
- Federal block grant funds for health programs should be allocated directly to general purpose local governments where an existing delivery system is in place.
- Block grant allocations should use current formulas for distribution of funds or reflect substate targeting requirements.
- States must be required to plan jointly with county officials and to publish for review and comments said plan for expenditure and, where direct funding is not available, to pass through maximum dollars to local governments for service delivery and life-sustaining programs.
- There must be an absolute reduction in federal mandates and regulations.
- Increased flexibility and simplicity in administering federal programs must be provided.
- No matching funds should be required of local governments.
- State and local government laws and procedures governing spending should apply to block grants.
- Audits should be compatible with local procedures.
- Emphasis should be on savings to taxpayers, and not just shifting costs from federal to local taxpayers, and the low income population of this country should not bear a disproportionate share of federal reductions in spending for block grant programs.

5.2.6 Disease Prevention and Health Promotion—Disease prevention and health promotion activities are important functions of local health departments, which are critical to the achievement of national public health goals. However, adequate federal and state assistance in financing and monitoring these activities is essential, to assure that all geographical areas are covered and to evaluate the effectiveness of current funding levels. NACo supports block grants and grant consolidation to obviate multi-funding for health programs. Such block grants must contain a legislatively mandated and Department of Health and Human Services-enforced pass-through of funds from the state level to those counties that meet approved health standards.

To permit appropriate evaluation of these programs, necessary uniform data collection systems that do not place an unreasonable administrative burden on local governments must also be established in conjunction with their implementation.

5.2.7 Health Information and Communication—NACo supports health education to provide information and communicate with the public and the providers of health care services for the proper utilization of health services. Community health education programs should be coordinated with health services being provided and with existing school health programs.

5.2.8 Rural Health Care—A special national program must be designed to provide total comprehensive health care services in rural areas. NACo advocates the provision of health care services to be made available to all residents of every county in the United States, especially in rural areas as well as in inner cities.

Senator **Mitchell**. Thank you, Ms. Klinger. And thank you, Mr. Chairman.

Senator **Moynihan**. Yes, indeed.

When you say "a social contract," which is a phrase we have been hearing so often, and which Lawrence Meade examines in his recent book, "Beyond Entitlement", you are not talking about some Rousseau-like expression of the general world, but you are talking about a document that your county sits down and draws up with a family.

Ms. **Klinger**. It is a paper with words on it, language that means something both to our department and to the person who signs it. It is a contract between them, what that person will do within the kind of timeline, and we expect them to fulfill it. We are going to do our part, and we expect them to do their part.

Senator **Moynihan**. Governor Castle was testifying earlier on behalf of the Governors Association in the sense that people and society alike have a right to say what they expect. The people have a right to know what that is. And could actually bring it down to specifics. Could you get us a copy of one of these things?

Ms. **Klinger**. I would be delighted to.

Senator **Moynihan**. I mean, really, I want to see one of those contracts.

Ms. **Klinger**. I would be delighted.

Senator **Moynihan**. All right.

Senator **Moynihan**. The other thing I have observed is that problem of the marginal tax rate in our present welfare system. We have had that hundred-hour rule since 1971. You work one hour extra, you earn $4.12 extra, and you lose medical insurance for your entire family, you lose economic cash payments. What that means is that you have a 100% tax rate at the margin payments.

Ms. Klinger, I hear two other important points. One is the importance of distinguishing between different types of persons who receive public assistance. For some of them, your 22 percent who stay on welfare less than one year, this is a form of unepmloyment insurance. It is income insurance, and there is nothing the matter with these folks except that they didn't get hired that year, that plant—that "factory in the field" if I remember from the book in the 1930's—just closed on them.

But there are people who will be on welfare for five years or more. Obviously, it's less troublesome to assist that group who are just out of funds for the moment and looking for work and will find it. It is a different problem for those who are stuck.

The first thing I hear, though—and I think I would ask Senator Mitchell if he wouldn't agree—we just heard from the Mayor of Trenton, New Jersey, a state that he reported has the second-highest per capita income in the country, and a quarter of the population of the state capitol is on AFDC. The value of AFDC benefits has dropped 51 percent in real value in the last 16 years. And I hear that San Joaquin Valley in Merced County, which has got to be one of the richest agricultural communities in the world——

Ms. **Klinger**. Indeed.

Senator **Moynihan**. But 19 percent of your population receive AFDC, food stamps, or Medicaid.

Ms. **Klinger**. That is right.

Senator **Moynihan**. Clearly, you just don't have to look to the Appalachias of the country. When the AFDC program was enacted in 1935, the typical recipient was seen to be a West Virginia miner's widow. And that might have been the case then, but now you go to one of the richest states in the Union, to the capitol with such a population of dependent people, or to the richest agricultural county with the same thing.

So we are not looking at just one group of people who are set apart; this is a nationwide question, isn't it?

Ms. **Klinger**. It is. In the San Joaquin Valley there are some counties that also have farming as their main economy but that may be a little more diversified; but those counties are in the same straits as we are when it comes to welfare costs. We may have had the impact hit us a little earlier than some of them, but we predicted their impact strictly based upon increased welfare caseloads, and it is happening to Fresno County, to Stanislaus County. This year they are laying off hundreds of workers. Their cost of the local share of welfare costs is high enough that their discretionary revenues are having to be spent for that, and they are, having to lay off workers.

Senator **Moynihan**. And there you get an impact from revenue-sharing and things like that.

Ms. **Klinger**. Yes.

I have one more statistic, Senator, Mr. Chairman, that I would like to tell you about. If just one-third of all of our families who are unemployed were employed full-time each month at the minimum wage of $3.35 an hour—I am talking about AFDC-U now—it would bring in $2,694,848 of earned income after all exemptions and disregards, and these would go to those families, replacing welfare cash assistance to the same families. That is just a third of all of our families who are on AFDC-U. We are talking about dollars here that have great significance at the state, national, and local levels. We must get the 100 hour rule changed.

Senator **Moynihan**. I heard.

Can I just make one last comment? This goes to the whole seeming opportunity we have this year, in this Congress and with your task force, the Governors' and the President's proposals, Mr. Ford's committee on the House side which is already actively inquiring, and we are doing it here on the Finance Committee with Mr. Dole as our ranking member, and we have a very enthusiastic group.

I would go back to that 1970 occasion to which you referred in your remarks, and I remember it very well. We had a guaranteed income in our hands—we had it in our hands. And the fact that it had gotten that close persuaded a great many people that, "My God, the country is going in the most extraordinary direction. There is no need to settle for this proposal. We will get something even better next time."

I remember going down to a meeting at the Mayflower Hotel in 1970. There was a group, the National Urban Coalition, and they were being told, you know, "Don't settle for what you have got; something even better is coming." And I said, "Oh, no, that is not the way of the world. We have a certain conjunction of the cosmos, of the earth and the moon here, and don't turn it down." I said, "If we don't get welfare reform in this year, we will not get it in this decade." And we didn't. What we got instead was a one-third reduction nationwide in the level of benefits for children. I hope we don't make that mistake again. I hope we are as lucky to get that close, and if we are that close I hope we "go for it," as they say in football.

Thank you so much, Ms. Klinger. Thank NACo. We are much in your debt, and we will hear from you about your task force.

Ms. KLINGER. Indeed.

Senator MOYNIHAN. And Senator Mitchell had a similar question on Medicaid, and I know you will want to answer that one.

Ms. KLINGER. We will certainly get that one answered, and we will see that you have a copy of the contracts, and we will keep the committee and yourself as up to date as we can as we implement GAIN in California.

Senator MOYNIHAN. We thank you so much.

We now move to the second group in our hearing, and we look forward to expert testimony from some very interesting scholars and representatives of groups who are very much concerned with these matters.

Our first witness will be Dr. Douglas Glasgow, who is Vice President of the National Urban League, a distinguished organization based in New York City.

Dr. Glasgow, we welcome you. As I said at the outset of the hearing, we will now go to a 10-minute ruling in order that everybody can be heard and can be questioned.

Dr. Glasgow, good morning.

[Ms. Klinger's written prepared testimony follows:]

NATIONAL
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440 First St. NW, Washington, DC 20001
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STATEMENT BY

ANN KLINGER

SUPERVISOR, MERCED COUNTY, CALIFORNIA

AND

NACo FOURTH VICE-PRESIDENT

BEFORE THE

SENATE FINANCE SUBCOMMITTEE

ON

SOCIAL SECURITY AND FAMILY POLICY

FEBRUARY 2, 1987
WASHINGTON, DC

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM ANN KLINGER, SUPERVISOR IN MERCED COUNTY, CALIFORNIA, AND FOURTH VICE PRESIDENT OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo). THANK YOU FOR THE OPPORTUNITY TO SPEAK WITH YOU TODAY ABOUT WELFARE REFORM.

COUNTIES PLAY A SIGNIFICANT ROLE IN DELIVERING HUMAN SERVICES. COUNTIES IN 13 STATES, INCLUDING SOME OF THE MORE POPULOUS STATES SUCH AS CALIFORNIA, NEW YORK, OHIO AND NEW JERSEY, PAY FOR A PORTION OF THE ADMINISTRATIVE AND/OR BENEFITS COSTS OF AFDC. AT LEAST 28 STATES HAVE GENERAL ASSISTANCE PROGRAMS WHERE, IN MANY CASES, COUNTY BUDGETS FULLY FUND THE PROGRAM. ALMOST EVERY COUNTY PARTICIPATES IN SOME PORTION OF THE NETWORK OF WELFARE SOCIAL SERVICES AND EMPLOYMENT PROGRAMS BY PROVIDING ITS OWN TAX DOLLARS.

BECAUSE OF OUR PARTICIPATION, WE ARE VERY AWARE OF THE PATCHWORK OF UNCOORDINATED PROGRAMS AND THE BURDENSOME PAPERWORK FOR BOTH OUR COUNTY WORKERS AND THE CLIENTS. NACo HAS LONG CALLED FOR TAKING INTERIM STEPS TO REFORM THE CURRENT SYSTEM WITH THE ULTIMATE GOAL OF COMPLETELY REPLACING IT WITH A COMPREHENSIVE SYSTEM. THE NEW SYSTEM WOULD PROVIDE EMPLOYMENT OPPORTUNITIES AT ADEQUATE WAGES FOR THOSE PEOPLE WHO ARE ABLE TO WORK, AND A SIMPLIFIED INCOME ASSISTANCE PROGRAM FOR OUR COUNTY RESIDENTS WHO ARE UNABLE TO WORK.

NACo DRAFTED WELFARE PROPOSALS IN 1976 AND 1977. DURING THE FALL OF 1977, HUNDREDS OF COUNTY OFFICIALS ATTENDED A WELFARE REFORM RALLY AT THE MAYFLOWER HOTEL AND ON THE STEPS OF THE CAPITOL. AND MR. CHAIRMAN, AS A FIRST YEAR FRESHMAN SENATOR, YOU SPOKE TO OUR GROUP. DURING THAT TALK YOU RECALLED THAT YOU PREDICTED IN JULY 1970 THAT IF WELFARE REFORM WERE NOT ENACTED THAT YEAR, IT WOULD NOT BECOME LAW IN THAT DECADE. BUT, YOU ASKED OUR GROUP AT THE MAYFLOWER TO "PROVE YOUR PROPHECY WRONG." WE WORKED WITH YOU AND THOUGH YOUR 1970 PREDICTION BECAME TRUE, WE FELT THE NEED FOR REFORM REQUIRED OUR CONTINUED EFFORT.

WE REVISED AND EXPANDED OUR PROPOSALS IN 1981 AND CURRENTLY HAVE A WELFARE AND WORK TASK FORCE WHICH WILL BE MEETING AGAIN THIS WEEKEND. WHILE MANY OF THE RECOMMENDATIONS WE MADE 10 YEARS AGO ARE STILL APPROPRIATE, WE ARE RESHAPING THEM TO FIT THE POLITICAL AND FISCAL REALITIES OF TODAY.

AS AN ELECTED OFFICIAL, I AM VERY WELL AWARE OF THE NATIONAL STATISTICS THAT THIS SUBCOMMITTEE DESCRIBED IN ITS EARLIER HEARING. IT IS A NATIONAL TRAGEDY THAT ONE OF EVERY FOUR CHILDREN ARE BORN INTO POVERTY. IT IS A NATIONAL CONCERN THAT 60 PERCENT OF ALL CHILDREN CAN EXPECT AT SOME POINT TO LIVE IN A SINGLE PARENT FAMILY--A FACTOR WHICH DRAMATICALLY INCREASES THE RISK OF FALLING INTO POVERTY. IT IS ALSO A NATIONAL CONCERN THAT THERE ARE MILLIONS OF THE 'WORKING POOR' WHO CANNOT LIFT THEMSELVES OUT OF POVERTY EVEN THOUGH THEY HAVE FULL TIME JOBS.

YET, SOMETIMES THESE NATIONAL STATISTICS ARE NOT AS POWERFUL UNLESS THEY ARE BROKEN DOWN TO THE LOCAL LEVEL, WHERE THERE ARE REAL CHILDREN AND FAMILIES WHO WANT TO WORK. THEY COME TO ELECTED AND APPOINTED COUNTY OFFICIALS FOR HELP.

MY HOME COUNTY OF MERCED IS LOCATED IN THE SAN JOAQUIN VALLEY, THE HEARTLAND OF THE STATE. WE HAVE A POPULATION OF 160,000 AND ARE ONE OF THE TOP AGRICULTURAL COUNTIES IN THE NATION. AS IN OTHER COUNTIES, THE FARM CRISIS HAS HURT MERCED. OUR UNEMPLOYMENT RATE HAS BEEN IN DOUBLE DIGITS FOR FOUR YEARS AND IS CURRENTLY AT 13.8 PERCENT. BECAUSE OF THIS, 19 PERCENT OF OUR COUNTY RESIDENTS RECEIVE AFDC, FOOD STAMPS OR MEDICAID.

OUR CASELOAD GROWTH SKYROCKETED BETWEEN 1980 AND 1985, GROWING BY OVER 46 PERCENT COMPARED TO CALIFORNIA'S OVERALL INCREASE OF 9.9 PERCENT. THIS IS DUE IN PART TO THE MIGRATION TO OUR COUNTY OF ABOUT 9,500 SOUTHEAST ASIAN REFUGEES, PRIMARILY HMONG. THE HMONG ARE PRELITERATE, WITH NO WRITTEN LANGUAGE UNTIL 30 YEARS AGO AND HAVE A TRADITION OF FARMING COMPLETELY DIFFERENT FROM OUR OWN. THEY NOW MAKE UP 32 PERCENT OF OUR AFDC AND 50 PERCENT OF OUR AFDC-UP CASELOADS.

IN NEARLY 92 PERCENT OF OUR AFDC CASELOAD, THE MALE IS ABSENT. THE MOTHERS IN 46 PERCENT OF OUR CASELOAD ARE UNDER 29 YEARS OF AGE AND 38 PERCENT OF THE OVERALL HEADS OF HOUSEHOLDS DO NOT HAVE A HIGHSCHOOL DEGREE. FINALLY, 22 PERCENT OF OUR CASES STAY ON WELFARE LESS THAN ONE YEAR; ANOTHER 22 PERCENT STAY ONE

TO TWO YEARS; 23 PERCENT THREE TO FOUR YEARS, AND THE REMAINING 33 PERCENT ARE ON FIVE YEARS OR LONGER.

WE ARE EXCITED ABOUT OUR GREATER AVENUES FOR INDEPENDENCE (GAIN) PLAN IN MERCED COUNTY WHICH WE EXPECT WILL BE APPROVED BY APRIL 1. THE ESSENTIAL PHILOSOPHY OF OUR PLAN IS THAT PEOPLE DO NOT COME TO OUR HUMAN SERVICES AGENCY FOR A "HAND OUT," RATHER, THEY WILL COME AS A PARTICIPANT WITH US TO DEVELOP SKILLS TO MAKE THEM MORE COMPETITIVE IN OUR LOCAL ECONOMY.

FOR SOME CLIENTS, THIS WILL BE A LONG TERM PROCESS. BUT, WHEN NEW BUSINESS IS DEVELOPED WITHIN THE COUNTY, WE WILL WORK WITH THOSE BUSINESSES AND DEVELOP PRIME SOURCE CONTRACTS TO MAKE SLOTS AVAILABLE FOR OUR HUMAN SERVICES CLIENTS.

WE ARE REDEFINING "PUBLIC ASSISTANCE." NO LONGER IS IT A REACTIVE PROGRAM THAT MAINTAINS PEOPLE BY PROVIDING CASH AND OTHER RESOURCES TO ALLOW THEM TO JUST GET BY. THE SYSTEM IN MERCED COUNTY AND THE REST OF CALIFORNIA IS BECOMING A PRO-ACTIVE SYSTEM PROMOTING SELF-SUFFICIENCY WITH AN ARRAY OF SERVICES.

FOR THE RECORD, I HAVE ATTACHED AN OUTLINE OF NACo'S 1981 AND 1977 PROPOSALS, SO I WON'T TALK ABOUT THOSE AT LENGTH. HOWEVER, I DO WANT TO DESCRIBE OUR GENERAL POSITIONS ON HOW COUNTIES VIEW THEIR ROLE AND THE FEDERAL GOVERNMENT'S IN RE-STRUCTURING THE SYSTEM.

FIRST, OUR SYSTEM SHOULD HAVE UNIFORM STANDARDS OF ELIGIBILITY ACROSS PROGRAMS AND SHOULD PROVIDE BENEFITS THAT ARE ADJUSTED FOR STATE AND LOCAL DIFFERENCES IN COSTS OF LIVING. THIS APPROACH WOULD BE SIMILAR TO THE FAMILY LIVING STANDARD OUTLINED IN THE AMERICAN PUBLIC WELFARE ASSOCIATION'S "MATTER OF COMMITMENT" REPORT. SUCH AN APPROACH WOULD BE FAIR TO THE CLIENT NEEDING ASSISTANCE AND, BY REDUCING FEDERAL REGULATIONS WOULD ALLOW COUNTY CASEWORKERS TO SPEND MORE TIME WITH THE CLIENT INSTEAD OF PAPERWORK. MANY CASEWORKERS COMPLAIN THAT THE CURRENT BLIZZARD OF FEDERAL REGULATIONS HAS CHANGED THE RELATIONSHIPS BETWEEN THEM AND THE CLIENTS. IT HAS CHANGED FROM A CLIMATE OF TRUST AND COOPERATION IN FINDING AVENUES TO SELF-SUFFICIENCY TO A SERIES OF FORMS WHICH IN EFFECT ARE BASED ON A PREMISE THAT THE CLIENT CHOOSES TO BE POOR AND INTENDS TO DEFRAUD THE COUNTY AGENCY.

SECOND, FEDERAL PROPOSALS MUST RECOGNIZE THAT MANY STATES AND COUNTIES ARE ALREADY INITIATING INNOVATIVE REFORM PROGRAMS OF THEIR OWN. FEDERAL LEGISLATION SHOULD PROVIDE MAXIMUM ADMINISTRATIVE FLEXIBILITY AND FISCAL INCENTIVES TO ENCOURAGE THOSE STATES AND COUNTIES TO CONTINUE TO DEVELOP PROGRAMS THAT LINK WELFARE AND EMPLOYMENT AND TRAINING SERVICES.

THIRD, WE AGREE THAT THE PRIMARY RESPONSIBILITY FOR SUPPORTING CHILDREN RESTS WITH THE FAMILY. ONE APPROACH IS DESIGNING PERFORMANCE CONTRACTS WITH CLIENTS. WHILE NACo CURRENTLY HAS NO POLICY POSITION ON MANDATING CLIENT-AGENCY

CONTRACTS, I BELIEVE OUR TASK FORCE WILL LOOK CLOSELY AT SUPPORTING AN APPROACH SIMILAR TO THE ONE WE HAVE IN CALIFORNIA UNDER 'GAIN'. THIS CONTRACT WILL MAKE CLEAR TO BOTH THE CASEWORKER AND CLIENT WHAT IS EXPECTED OF THEM TO MAKE THEM INDEPENDENT AGAIN. IMPROVED ENFORCEMENT OF THE EXISTING CHILD SUPPORT PROGRAM IS ALSO CRITICAL TO ENCOURAGING FAMILY RESPONSIBILITY. TO BE HONEST WITH YOU, MANY COUNTIES DO NEED TO WORK HARDER IN COLLECTING SUPPORT, BUT ITS NOT AN EASY JOB. MOREOVER, THE ADMINISTRATION'S BUDGET PROPOSAL WHICH WOULD ELIMINATE INCENTIVE PAYMENTS TO MANY COUNTIES IS A STEP IN EXACTLY THE WRONG DIRECTION.

FINALLY, WHILE WE BELIEVE THAT COUNTIES SHOULD BE GIVEN FLEXIBILITY IN RESPONDING TO THEIR UNIQUE CIRCUMSTANCES, WE ALSO BELIEVE THAT FIGHTING POVERTY IS A NATIONAL RESPONSIBILITY REQUIRING NATIONAL LEADERSHIP AND RESOURCES. NATIONAL POLICY MUST RECOGNIZE THAT COUNTIES SUCH AS MINE MAY REQUIRE DIFFERENT TYPES OF RESOURCES TO SERVE LONG-TERM CLIENTS SUCH AS OUR HMONG REFUGEES. POLICIES MUST ALSO RECOGNIZE THAT OTHER GROUPS SUCH AS DISPLACED WORKERS REQUIRE DIFFERENT SERVICES TAILORED TO THEIR CIRCUMSTANCES.

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

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Summary of NACo
1976 and 1981 Welfare Reform Recommendations

	1981	1976
AFDC		
	Uniform eligibility; benefits adjusted for regional living costs	Same
	75% federal funding for benefits and administration and 90% for fraud detection	Same
	In general, revise earned income and work expense deductions to provide stronger work incentives and lessen administrative burden	Same
	Eliminate error rate fiscal sanctions and develop incentives to enhance quality control	Same
	Repeal mandated monthly reporting and retrospective budgeting	No position
Food Stamps		
	"Cash out" program	Same
	Establish single eligibility and benefit determination for AFDC and Food Stamps	Same
	Continue 100% federal funding of benefits and increase administrative funding to 100%	Same
	Establish direct federal issuance of food stamps	Same
	Replace error rate fiscal sanctions with incentives for quality control enhancement	No position

	1981	1976
WIN	Simplify sanctions on clients	Same
	1986 NACo Platform Employment Section 2.2 and Human Services Section 5.3.3 support WIN and call for expansion and increased local flexibility	
Supplemental Security Income	Uniform eligibility and benefits adjusted for regional differences	Same
	Full federal assumption of costs with increased benefits so state supplementation is unnecessary	Same
	Provide eligibility for residents of public mental, medical and residential facilities	Same
	Common applications for SSI, Medicaid and Title XX	No position
Medicaid	No position	75% federal funding for mandated services
	No position	100% federal funding for costs of blind, disabled and persons over age 65
	Current Platform supports national health care financing of basic health coverage financed by National tax system.	No position
General Assistance	Calls for federally financed assistance	Same
	Permit broader eligibility under SSI	Same

	1981	1976
Social Services		
	Cost of living increases for Title XX Social Services Block Grant	Same
	Federal funding should be based on an entitlement concept to ensure services to all eligible persons	No position
Child Care		
	Expand Earned Income Tax Credit and day care tax credit for low income persons	No position
	Job Training for recipients with young children must include child care outside the Title XX appropriation	No position
	Variety of child care situations with flexible hours provided to working parents	No position
	Careful and regular monitoring of state and local licensing	No position
Child Support		
	Retain 75 percent administrative match (in 1986 was 68 percent)	No position
	Supports intercept of parents federal income tax returns (passed in 1984 amendments)	No position
Teen Pregnancy		
	Reduce pregnancies through sex education and birth control information as well as opportunities for pregnant girls to finish high school	No position

	1981	1976
Transportation	No position 1986 NACo Platform Employment Section 2.7.A calls for increased federal allocation to account for the true transportation needs because it is a costly barrier to employment	No position
Client/Agency Contracts	No position	No position
Extended Health Care	No position	No position
Wage Subsidies	No position 1986 NACo Platform Employment Section 2.9 states it is appropriate to provide federal support for participants in employment and training programs in the form of wages. Supports phased system of direct wage subsidy in private sector, associated with a conditional hiring pledge	No position
Tax Incentives	No position 1986 NACo Platform Employment Section 2.15 supports employer tax incentives for retraining workers	No position
Minimum Wage	No position	No position

	1981	1976
Education	No specific recommendations 1986 NACo Platform Health and Education Section 4.12.3 calls for adequate funding of education for unemployed and high school dropouts and supports compensatory and early childhood education	No position
Minimum Benefit Floor	Uniform standard of eligibility and benefits adjusted to reflect regional cost of living. Wages and payments/work subsidies to working poor should be at an adequate level so there is no disincentive to work	Same
Mandate Employment or Training for AFDC Parents with Children Under 6 years	No position	No position
Long Term Reform Work Security for Employable Persons	Full range of job development and job creation, skills training work experience coordinated with economic development. Financed wholly by federal government. Income assistance during training or unemployment. Should provide for child care costs. Where work security employment is necessary, jobs shall be federally financed. Local government should be primarily responsible for job development and training.	Recommendation is similar except no mention of day care

STATEMENT OF DR. DOUGLAS G. GLASGOW, VICE PRESIDENT, WASHINGTON OPERATIONS, NATIONAL URBAN LEAGUE, INC.

Dr. GLASGOW. Thank you, Senator, and distinguished members of this subcommittee. We are really pleased to be here, in part because of a long-term working relationship with the chair of this committee, and also because of the importance of this particular issue, Social Welfare Reform.

Mr. Chairman, as Vice President for Washington Operations of the National Urban League, I am pleased to provide a special type of testimony, not from the basis of elected officials but from that of community-based organizations that work with the problems of the seriously unemployed, those in poverty.

The National Urban League, as you know, was founded in 1910 as a nonprofit organization and has, over the years, consistently worked with those who have been the disadvantaged. We have an extensive history of involvement in the areas of social welfare. Through our ongoing work within communities we have obtained first-hand experience at identifying and meeting the social service needs of primarily poor individuals and families.

In 1965 the Urban League, along with the Child Study Association and the Family Service Association of America, conducted a special nationwide demonstration program called Project Enable, which utilized parent education and discussion groups as well as community organizations to improve the conditions of poor families.

From 1972 to 1975, the Urban League conducted a research demonstration program entitled, Work Evaluation—Work Adjustment, which examined whether conventional rehabilitation techniques could be used to mitigate social barriers to employment for socially disadvantaged persons.

Since 1975, when the Urban League published its views on reforming the social welfare system in a special paper, "Income Maintenance, the National Urban League Position," we have advocated for a public assistance system that is adequate, equitable, and has some universal aspects.

However, until such a system is in place, income maintenance and all social welfare programs must be made as effective as possible for the populations they do serve. Simply cutting budgets is not a solution.

In 1982, 16 Urban League affiliates, in conjunction with other geographically close affiliates, conducted public hearings that assessed the impact of AFDC program cuts implemented through the Omnibus Budget Reconciliation Act of 1981. These hearings highlighted the problems encountered by AFDC recipients in seeking economic independence through employment, especially in the areas of securing health and child care.

The National Urban League continues its dynamic involvement in the formulation of policies and programs that impact upon the needs of this country as a whole, and particularly upon our constituency who are disproportionately poor and unemployed.

In a recent article for *The State of Black America 1987,* a report which we issue annually, the noted scholar Dr. Billingsley captured the very essence of welfare reform and its relationship to poverty and employment issues, when he wrote that, "No single, complex public action would do more to strengthen families than a national commitment to full-time, adequately paid, career-oriented jobs for every able-bodied man, woman and youth. A meaningful job not only provides the means of meeting the instrumental needs of the family but also a means of instilling pride, self-reliance, and a sense of importance as well."

Contrary to the spirit of the 1960's when poverty, especially Black poverty, was not just a public issue but a national policy priority, the decade of the 1980's is characterized by policies based on distortions and disinformation on the causes and the realities of individuals and families who live without sufficient income to keep them out of poverty.

In a nation such as ours, with its resources and technological advancement, it is totally unacceptable that our national leadership tolerates a national poverty rate of 14 percent and identifies economic recovery with a national unemployment rate of 7 percent.

What used to be labeled "recession-level unemployment" is now described as "full employment." A national poverty rate of 14 percent in 1985 translated into over 33 million people who lived below the federal poverty level, a rise of 4 million since 1980, with more than one in every five American children being poor.

Contrary to public perception and public idea, the "feminization of poverty" argument, which has been offered as an explanation for increased poverty, is not as solid as it would appear. Changes in family composition have not been the primary cause, as you noted earlier, Senator, of the increase in poverty since the late 1970's.

Among the conclusions from a recent Democratic staff study prepared for the Joint Economic Committee of the U.S. Congress, we find that:

The post-1979 increase in poverty has been largely the result of weak economic performance—especially high levels of long-term unemployment and falling wages—and changes in social welfare policy;

The greatest increases in poverty during this period were for persons living in married-couple families. Persons in married-couple households account for 44.9 percent of the increase in poverty since 1979; while persons in single-parent female-headed families account for 31.5 percent of new poverty over the same period.

Highlighting these conclusions is not meant to deter the concern that must exist and the actions that must be taken to address the high levels of poverty among single female-headed households, as over one-third of all persons living in female-headed families are poor, compared to 9.3 percent of persons in other families. Rather, these data serve to restore proper dimension and avoid distortion about the causes of poverty in order to formulate more enlightened policy decisions about what courses of action are necessary to reduce poverty in this country.

The implications of high rates of unemployment become more meaningful when we examine their human and social stress costs. For example, we know that each 1-percent rise in unemployment produces a 5.7 percent increase in homicides, a 4.1 percent increase in suicides, a 4 percent increase in prison admissions, and a 1.9 percent increase in the overall mortality rate.

The economic costs are also unsettling.

While our national leadership boasts of creating some three million jobs over the course of the year, it failed to note the growth in part-time positions and the destruction of high-paying manufacturing jobs and their replacement by low-paying retail and service industry jobs.

According to the findings of a recent study prepared, again, for the Joint Economic Committee of Congress, of the 8 million new jobs created between 1979 and 1984, 58 percent paid annual wages of less than $7000, supporting the conclusion that the net additions to employment being generated in the U.S. since the late 1970's have been disproportionately and increasingly concentrated at the lower wage end of the spectrum.

Given these negative changes in the job market, it is no small wonder that in the current economy, even if one works, there is no guarantee of escape from poverty.

We feel that poverty and unemployment have had a special impact upon Black Americans, and while national unemployment and poverty rates are unacceptably high in the country as a whole, the disproportionate impact on Black Americans is devastating.

Black Americans remain disproportionately poor and disproportionately unemployed. In 1985, more than 31 percent of Black Americans were poor, where Blacks were still almost three times more likely than Whites to be below the poverty level, and about one-half of Black children were poor. For Black workers, unemployment remained at Depression-level rates of 15 percent.

We could go on endlessly, however I will submit most of that data in our full testimony.

I would like to suggest at this point that there must be specialized strategies for reducing unemployment and poverty as we begin to address the issue of welfare reform.

In the last year we have witnessed renewed interest and debate on what course of action would best reduce poverty and unemployment. Much of the discussion and proposed remedies have been within the framework of welfare reform, which in reality is family and individual income reform.

For the past seven years, the Administration's notion of welfare reform has served as the vehicle for program cutbacks, and policies that promote maximum opportunity for securing jobs have been all but ignored.

We would suggest that, as we proceed to carve a more humane and effective system of social welfare, three basic principles must serve as our guide:

First, the primary objective must be to strengthen the family. Second, wherever possible, earned income through viable employment must be secured to ensure the capacity for families to effectively participate in society.

I will conclude on this note, Mr. Chairman——

Senator MOYNIHAN. You didn't get to the third; you are on page 11.

Dr. GLASGOW. Well, I realize I am not from California. [Laughter.]

So I was trying to do it as expeditiously as possible.

Senator MOYNIHAN. Go ahead.

Dr. GLASGOW. I appreciate that allowance.

The third, of course, is a system of social welfare benefits that must be economically just and promotes the strengthening of the family.

I would like to suggest that in the days ahead, as we talk about welfare reform and talk about work amongst the poor, particularly those families most oppressed by poverty, that we have within our constellation of providers a new instrument of strength, the community-based organization.

I would encourage us to give increased consideration as we frame reform programs and begin to develop legislation, to the important role of these organizations—which are based in the community and represent institutions with long histories of working with the poor—that they be involved intensely in the programs of welfare reform.

Mr. Chairman, I conclude at this point by saying that existing poverty and unemployment rates for the nation and particularly for Black Americans stand today, still, at intolerable levels. This nation at the federal, state, local and private levels possesses the knowledge and the resources to eliminate the daily tragedies experienced by millions of Americans who suffer from poverty and unemployment.

The National Urban League is prepared to work with you, as we have in the past, in structuring a fundamentally important new and rich system of social welfare in the days ahead.

Thank you.

Senator MOYNIHAN. We thank you, Dr. Glasgow, for a very scholarly paper and a well-researched one. Your reputation precedes you, as you know.

I particularly thank you for your reference to Bluestone—that is Barry Bluestone—and Harrison, "The Great American Job Machine."

Dr. GLASGOW. Yes.

Senator MOYNIHAN. I don't know how we missed it. I must get two copies, one for the Joint Economic Committee.

Your point here is an absolutely essential one, in my view and obviously in yours, that the great determinant of the question of child support and family income is first and foremost a function of the levels of employment in the economy and the levels of wages and income.

I mentioned earlier to you—I don't know whether you have seen the work that David Elwood has done.

Dr. GLASGOW. Yes, I have.

Senator MOYNIHAN. He started a new curve—just two items in the equation, the unemployment rate and then the median hourly earnings, predict the welfare rate as if it were a fixed line. And it is going up of late because unemployment is going up, and the median hourly earnings have not gone up.

Now, I don't want to tell you something you have been telling other people for a long time, but the average hourly earnings in manufacturing have gone up 18 cents in the last 18 years, when adjusted for inflation. So a person who would manage to put a half a century in a factory, at that rate, would look forward to increasing income by 50 cents an hour in the course of a lifetime.

Oh, here is "The Great American Job Machine," right there. There is exactly your curve right here, the lines right here for the last few years, and it reflects the economy.

And a similar condition is true for median family income. In real terms, median family income has been nearly flat for 16 years now. We are at 1985 and were exactly where we were in 1970. That is 16 years. We peaked in 1973, and have not since approached that level.

Dr. GLASGOW. That is correct.

Senator MOYNIHAN. What do you think about this—well, you mentioned community organizations. I find in most of the testimony this notion of a social contract. Now, if you are going to have a serious proposition, then you are going to have to have something on the ground to follow up with, aren't you. You just can't mail these forms from Trenton or Washington and say, "Fill this out and send it back." You have to have somebody to follow up.

Dr. GLASGOW. Senator, I think that community-based organizations provide an additional resource in the community; first, they have ties to the local population, particularly poor populations, and an ability to find them through outreach and perform diagnostics. They have long-term association with such populations.

As we look at the historical relationship between federal, state, and community based organizations in the early period of the Sixties, community based organizations often were viewed as protagonists, somewhat. As the Seventies became more in vogue, they began to find ways of complementing each other. I think we are at the point now where community based organizations truly represent a potentially very strong resource in addressing the needs of particularly the long-term and most seriously debilitated poor populations.

Senator MOYNIHAN. And there is such a thing as the long-term debilitated population, as the reference that Ms. Klinger gave of Merced County in the San Joaquim Valley, where about 30 percent-odd of the AFDC recipients are going to be on welfare for five years or more. Now, those people have problems that require more than a job market.

Dr. GLASGOW. Correct.

Senator MOYNIHAN. We are learning to disaggregate this population, aren't we?

Dr. GLASGOW. Certainly.

Senator MOYNIHAN. And the Urban League has been working at these things since 1910. How many local chapters do you have?

Dr. GLASGOW. We have 113 affiliates today in 34 different states.

Senator MOYNIHAN. A hundred thirteen affiliates in 34 different states? That is an organization that has been around for three generations and will be around for three more, I hope, but maybe with less to do toward the end.

Dr. GLASGOW. Yes.

Senator MOYNIHAN. Dr. Glasgow, we thank you very much.

Dr. GLASGOW. I want to thank you very much, Senator.

Senator MOYNIHAN. And we will stay in touch.

Dr. GLASGOW. May I provide you with a copy of the report which provided much of this information? This is the 1987 Status of Black America report.

Senator **Moynihan**. That will be made part of the record and will be printed in the transcript of these hearings. We thank you for that.

Dr. **Glasgow**. Thank you, I appreciate it.

Senator **Moynihan**. I particularly thank you for bringing this data. We need data.

Now we are going to hear from an unusually productive and admirable citizen, the Reverend J. Bryan Hehir, who is the Secretary of the Department of Social Development and World Peace of the United States Catholic Conference.

Father Hehir, we welcome you to this second day of hearings and the new Committee on Social Security and Family Policy. We, at long last now in the Senate, have a committee that addresses itself to that general notion and what, after all, the Social Security Act was about. And of course, our committee has the jurisdiction over such matters.

You have brought a companion, and I would welcome her.

[Dr. Glasgow's written testimony follows:]

TESTIMONY OF

Douglas G. Glasgow
Vice President for Washington Operations
National Urban League, Inc.

Before the
Subcommittee on Social Security and
Family Policy
SENATE FINANCE COMMITTEE

on

Welform Reform or Replacement

Room SD-215
DIRKSEN SENATE OFFICE BUILDING

February 2, 1987

Mr. Chairman and member of this committee, as Vice President for Washington Operations of the National Urban League (NUL), I am pleased to present testimony today on an issue that is of critical concern to the National Urban League (NUL); namely, the association between poverty, employment and training, and the resurgent call for reform of this nation's social welfare system.

The National Urban League was founded in 1910 as a non-profit community service organization committed to securing full and equal opportunity for minorities and the poor. Through its affiliate network, the Urban League is represented in 34 states and 113 cities (including the District of Columbia). Over one million persons are served every year by the Urban League Movement through its comprehensive array of projects, programs, and initiatives that address such needs as employment training, adolescent pregnancy, health, housing, education, and community crime prevention.

(1)

Historical Background

The National Urban League has an extensive history of involvement in the area of social welfare. Through our ongoing work within communities we have obtained first hand experience at identifying and meeting the social service needs of primarily poor individuals and families, particularly in areas related to employment training and placement. In 1965, the Urban League, along with the Child Study Association and the Family Service Association of America, conducted a special nationwide demonstration program called "Project Enable" which utilized parent education and discussion groups as well as community organization to improve conditions for poor families. Many of these families were participants in the Aid to Families with Dependent Children (AFDC) program. "Project Enable" resulted in the development of new manpower resources, better delivery of services to poor families and positive attitudinal and behavioral changes on the part of community institutions as well as participants.

From 1972-1975, the Urban League conducted a research demonstration program entitled "Work Evaluation - Work Adjustment", which examined whether conventional rehabilitation techniques could be used to mitigate social barriers to employment for socially disadvantaged persons. The program assisted primarily mothers in developing and maintaining opportune employment behavior, and assisted employers in changing their attitude toward this population.

Since 1975, when the NUL published its views on reforming the social welfare system in a special paper (Income Maintenance, The National Urban League Position, July 1975), the NUL has advocated for a public assistance system that is adequate, equitable and universal. However, until such a system is in place, income maintenance and other social welfare programs must be made as effective as possible for the populations they do serve. Simply cutting program budgets is not the solution. In 1982, sixteen Urban League affiliates, in conjunction with other geographically close affiliates, conducted public hearings that assessed the impact of AFDC program cuts implemented through the Omnibus Budget Reconciliation Act of 1981 (OBRA). More than 300 witnesses representing a cross-section of AFDC recipients, human service providers, grass-root organizations, and community groups presented sobering testimony to the tremendous hardship imposed upon innocent people by misguided cuts in AFDC. These hearings highlighted the problems encountered by AFDC recipients in seeking economic independence through employment, especially in the areas of securing health and child care.

The National Urban League continues its dynamic involvement in the formulation of policies and programs that impact upon the needs of this country as a whole, and particularly on our constituency who are disproportionately poor and unemployed.

POVERTY AND UNEMPLOYMENT: A NATIONAL OVERVIEW

A Matter of Income

In a recent article for The State of Black America 1987 report, the noted educator and scholar, Dr. Andrew Billingsley, captured the very essence of welfare reform and its relationship to poverty and employment issues when he wrote that:

> No single, complex public action would do more to strengthen families than a national commitment to full-time, adequately paid, career-oriented job for every able-bodied man, woman and youth. A meaningful job not only provides the means of meeting the instrumental needs of the family but also a means of instilling pride, self-reliance, and a sense of importance as well. 1/

Since its founding, the National Urban League has historically been concerned with caring for the total family, and has long recognized the important connection between equal access to income through employment for all who are able and want to work as the primary means for purchasing those basic necessities such as food, housing, health care, and education, thereby enhancing individual and family social welfare.

Contrary to the spirit of the 1960's when "...poverty, especially black poverty, was not just a public issue but a national policy priority", 2/ the decade of the 1980s is characterized by policies based on distortions and disinformation on the causes and the realities of individuals and families who live without sufficient income to keep them out of poverty. Yet, for the millions of Americans who suffer daily from the deprivation and intense stress of unemployment and poverty, there is no doubt and no distortion about its realities: without the necessary income with which to purchase basic necessities, individuals and families must simply go without adequate food, shelter, health care and education. Survival becomes a daily and hourly task. The developmental impact on children who comprise the largest single group living in poverty in this country today, 3/ is a national disgrace. For millions of individuals and families, unemployment and poverty mean being uprooted and locked out from full participation in America's economic mainstream.

Interpreting the Numbers

In a nation such as ours, with its resources and technological advancement, it is totally unacceptable that our national leadership tolerates a national poverty rate of 14 percent and identifies economic recovery with a national unemployment rate of 7 percent. "What used to be labelled 'recession-level' unemployment is now described as 'full employment'". 4/ A national poverty rate of 14 percent in 1985 translated into over 33 million people who lived below the federal poverty level (a rise of 4 million since 1980) with more than one of every five American children being poor. 5/ The 7 percent unemployment rate is a conservative figure. In addition to the 8.3 million who are officially unemployed, 1.2 million are discouraged workers who want to work but cannot find jobs and have given up the search, and approximately 5.5 million who are part-time workers because they cannot find full-time employment. 6/ (In its Quarterly Report on the Social and Economic Condition of Black Americans, the National Urban League has long included discouraged and part-time workers to obtain a more realistic picture of the unemployment problem. This has been referred to as the NUL's Hidden Unemployment Index.)

Contrary to public perception that the "feminization of poverty" argument is the key explanation for increased poverty, "...changes in family composition have not been the primary cause of the increase in poverty since the late 1970's". 7/ Among the conclusions from a recent Democratic staff study prepared for the Joint Economic Committee of the U.S. Congress, we find that: 8/

- the post- 1979 increase in poverty has been largely the result of weak economic performance-- especially high levels of long-term unemployment and falling wages -- and changes in social welfare policy;
- the greatest increases in poverty during this period were for persons living in married-couple families. There are 3.13 million additional persons living in married-couple families in poverty and 2.19 million additional persons living in single-parent, female-headed families in poverty since 1979;
- persons in married-couple households account for 44.9 percent of the increase in poverty since 1979 (while) persons in single-parent, female-headed families account for 31.5 percent of new poverty over the same period.

Highlighting these conclusions is not meant to deter the concern that must exist and the actions that must be taken to address the high levels of poverty among single female-headed households (over one-third or 34 percent of all persons living in female-headed families are poor, compared to 9.3 percent of persons in other families 9/). Rather, they serve to restore proper dimension and avoid distortions about the causes of poverty in order to formulate more enlightened policy decisions about what courses of action are necessary to reduce poverty in this country.

The Costs of Unemployment

The implications of high rates of unemployment become more meaningful when we examine their human and social costs. For example,

- Each 1 percent rise in unemployment produces a 5.7 percent increase in homicides, a 4.1 percent increase in suicides, a 4.0 percent increase in prison admissions, and a 1.9 percent increase in the overall mortality rate. 10/

The economic costs are also unsettling:

- For every one percent of unemployment, America loses at least $100 billion in unproduced goods and services, and the federal treasury loses $30 billion in lost tax revenues and extra welfare and unemployment compensation costs. 11/

The American "Job Machine" and the Working Poor

Although our national leadership boasts of creating some three million jobs over the course of the year, it failed to note the growth in part-time positions and the destruction of high-paying manufacturing jobs and their replacement by low-paying retail and service industry jobs. 12/ According to the findings of a recent study prepared for the Joint Economic Committee of Congress, of the 8 million new jobs created between 1979 and 1984, 58 percent paid annual wages of less than $7,000, supporting the conclusion that "...the net additions to employment being generated in the U.S. since the late 1970s have been disproportionately and increasingly concentrated at the low-wage end of the spectrum. 13/ Given these negative changes in the job market, it is no small wonder that in the current economy, even if one works, there is no guarantee of escape from poverty. Recent Congressional testimony by the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) documents the increasing erosion of wages and the effect of part-time work:

- In 1984, there were more than 9 million people living below the official poverty level who worked for at least part of the year, and nearly one-third of them were working full-time year-round...Furthermore, about one out of every six families in poverty had two workers in the labor force. Even the minimum wage worker lucky enough to get a full-time, year-round job earns less than $7,000 a year -- 36 percent below the current poverty line of $11,000 a year. 14/

In sum, a national overview of U.S. poverty and umemployment reveals "six years of supply-side economics (that) have...proven disastrous. Not only has supply-side policy worsened the condition of the poor, it has fostered the segmentation of America into societies - one rich and prospering and the other becoming poorer..." 15/ This polarization is evidenced by the fact that between 1979 and 1985, income losses widened where the bottom 60 percent of families saw declining shares of income with by far the largest gains going to the richest 20 percent. 16/

POVERTY AND UNEMPLOYMENT: IMPACT UPON BLACK AMERICANS

While national unemployment and poverty rates are unacceptably high for the country as a whole, the disproportionate impact on Black Americans is devastating. Black Americans remain disproportionately poor and disproportionately unemployed. In 1985, more than 31 percent of Black Americans were poor, where Blacks were still almost three times more likely than whites to be below the poverty level. 17/ About one-half of Black children were poor in 1985. 18/ For Black workers, unemployment remained at Depression-level rates of 15 percent (NUL's Hidden Unemployment Index places the 1985 rate for Black workers at 26.6 percent), with rates for inner-city teenagers above the 50 percent mark. 19/

Black American poverty continues to be clouded by the effects of racial discrimination. Distortions in the media and by self-appointed "experts" on the complex issues that surround Black poverty have failed to comprehend and portray the realities of Black poverty as it is impacted by racial discrimination. According to the State of Black America 1987 report, the feminization of poverty concept obscures the continued importance of race in general as a causal factor in the determination of poverty:

> At every level of education and across all family structures, the proportion of black Americans in poverty exceeds the proportion of white Americans in poverty. The poverty rate among black families headed by both a male and female exceeds the rate of poverty among white female-headed families. The poverty rate among blacks with one or more years of college exceeds the poverty rate of whites with 8 years of education. The poverty rate of blacks who worked full-time is 3 times higher than that of whites who worked full-time. The poverty rate of black households with only two persons is nearly equal to that of whites with 7 or more persons. 20/

Additionally, over-emphasis on the notion of feminized poverty "dichotomizes the status of black males and females in poverty and feeds practices that separate their plight". 21/ A central weakness of this concept "may be that it diverts attention from the staggering dislocation and disconnection of black males from the labor market, income, and concomitantly, from the family", 22/ and does gross injustice to the historical role played by Black women in providing essential income for Black families when Black males were unemployed or underemployed. 23/

Complacency about Black unemployment stems from "a growing tendency to believe that the problem may be intractable", centered in a perceived expansion of the "'underclass segment of black America whose members are (viewed as) neither receptive to nor apt to benefit from efforts to promote self-sufficiency". 24/ Recently, the Research Department of the National Urban League examined the nature of Black unemployment and dispelled prevailing notions that the Black unemployed are a largely homogeneous population beyond help. A summary of the major findings from their report show that:

- More than half of all unemployed black Americans in 1984 (52%) lost their job, including 44 percent who were permanently terminated. A mere 1 percent left their job voluntarily. The remainder of the black unemployed were either reentrants into the labor force (28%) or first-time job seekers (18%).
- Black males are slightly more likely than females to be hit by unemployment. In 1984, 52 percent of the black unemployed were males, or about the same as the proportion of males in the black civilian labor force.
- Blue collar workers are substantially overrepresented among the black unemployed, while white collar workers are underrepresented. 1984, about 42 percent of jobless blacks were blue collar, compared to 34 percent of the black civilian labor force. By contrast, 26 percent of the black unemployed were white collar, while 38 percent of the civilian labor force were in the white collar category.
- The incidence of unemployment among blacks declines with increased education. Although college graduates constituted 12 percent of the black civilian labor force in 1984, they accounted for only 4 percent of the black unemployed. Conversely, black high school dropouts were 18 percent of the labor force but 29 percent of the unemployed.
- In terms of racial comparisons, the gap between black and white unemployment rates is greater at the higher education levels. Thus, the jobless rate of black college graduates in 1984 was 2.5 times that of their white counterparts, while the rate of black high school dropouts was only 1.8 times ~~the~~ rate of white dropouts. These findings evidence the continued impact of racial discrimination in the labor market.
- Further evidence of continued employment discrimination against blacks is suggested by comparisons of black and white jobless rates within different occupational categories. In particular, the unemployment rate of black blue collar workers in 1984 was 1.8 times that of their white counterparts, while black white collar workers were unemployed at 2.6 times the rate of their white counterparts. 25/

It is therefore imperative that the formulation of policies designed to address issues of Black poverty and Black unemployment be based on accurate knowledge of both problems, lest we continue seeking solutions misguided by distortions of fact and outright disinformation about Black family life in America.

REMEDIAL STRATEGIES FOR REDUCING UNEMPLOYMENT AND POVERTY

In the last year we have witnessed renewed interest and debate on what course of action would best reduce poverty and unemployment. Much of the discussion and proposed remedies have been within the framework of "welfare reform" which in reality is family and individual income reform. For the past seven years, the Administration's notion of welfare reform has served as a vehicle for cutbacks in social welfare programs without any constructive attempt at targeting or retargeting our federal resources to the public, private, and voluntary sectors in a manner that would serve to secure a permanent rooting of all families into the economic infrastructure of American life. Policies that would promote maximum opportunity for securing a job have been all but ignored. In addition to the Administration's most recent welfare reform proposal, we have witnessed a proliferation of ideas and varying approaches to repairing and/or overhauling the existing social welfare system, particularly in those public assistance programs that aid families with dependent children. Certain approaches appear valuable and merit consideration, while others either raise questions or are simply objectionable.

As we proceed to carve a more humane and effective system of social welfare, three basic principles must serve as our guide:

- First: The primary objective must be to strengthen the family.
- Second: Earned income, through viable employment must be secured to insure the capacity for families to effectively participate in society.
- Third: A system of social welfare benefits must be economically just and promote the strengthening of families.

Under these guiding principles, the National Urban League proposes three priority strategies that aim to improve upon our existing system: (1) Full employment with parity - The National Urban League calls for national leadership and commitment towards the development of an effective, comprehensive full employment policy which must encompass a broad range of actions and initiatives. A full employment policy must seek to:

- decrease deficit spending, continue efforts toward sound tax policy, and restore America's competitiveness in world trade;
- create jobs by rebuilding the nation's infrastructure of basic public facilities and services, and by reconstituting old industries;
- promote training, and retraining of workers so they will have competitive skills for the new labor market;
- provide resources to encourage educational institutions, businesses, and the private volunteer sector to undertake training, skills development and apprenticeship programs;
- help rebuild the Black business community;
- develop a new format for sensitive government expenditures for investment in human and capital resource building;

- reverse social policies which curtail federal spending on social programs aimed at changing life conditions for the poor;
- promote affirmative action in the work place and work force;
- enforce anti-bias federal and state laws to resolve hiring and wage discrimination for low-income disadvantaged employees;
- increase the return-to-work pace for Blacks following recessional periods through special recalls; and
- rectify institutional practices to foster a more equitable distribution of work. 26/

(2) The National Urban League recommends a system of social welfare benefits that is economically just and promotes the strengthening of all families.

Social welfare reform must therefore ensure a comprehensive, adequate, equitable, publicly acceptable, universal and dignified system of benefits. The welfare system should ideally be linked to both adult employment and youth training opportunities which provide a living wage. Reform of the welfare system should provide an income floor below which no family should fall.

(3) An urgent legislative strategy must be enacted that would target existing and unused federal resources to the needs of the severely economically disadvantaged who comprise the long term unemployed and the long term recipients of Aid to Families with Dependent Children (AFDC). These populations have been persistently neglected by social welfare institutions.

Through our ongoing work within communities throughout the U.S., the National Urban League has obtained expertise in identifying, outreaching, and servicing the needs of primarily poor individuals and families, particularly in areas related to employment training and placement. (See Attachments for a sampling for NUL's employment programs and activities.) In addition, over the past two-and-a-half years, NUL has examined methods of facilitating the transition of long term AFDC participants into the labor market. It was concluded, based on extensive review of the research pertaining to AFDC duration, 27/ that the reduction or elimination of barriers to employment (such as lower levels of education and less employment experience) can alleviate economic stress for families and thereby strengthen them. The need for critical support services such as child care, health care coverage, and transportation must also be met for a solid transition into the labor market.

An important feature of this legislative strategy is the additional focus on a population that is especially ignored and often rejected by our social and economic systems: namely, those individuals who experience outright "dislocation from the labor force and disconnection from the institutions that act as feeders to labor force participation". 28/ These include individuals who usually are ineligible for basic income and supplemental programs such as AFDC, food stamps, subsidized housing and other similar avenues for meeting at least a portion of living needs. The exact number of individuals who comprise this population is difficult to quantify, precisely because they are disconnected from those institutions who have mechanisms to count those persons eligible and receiving their respective service.

Community based organizations can not and will not reject these too often ignored populations, as they have the capacity to identify, reach and service the most severely economically disadvantaged. In devising employment training and placement programs for the long term AFDC recipient and the long term unemployed, special remedies must be formulated to improve upon current practices which provide incentives for employment and training programs to serve those who are most job ready rather than those most in need. 29/ Community based organizations must play a vital role in servicing this special population.

CONCLUSION

Existing poverty and unemployment rates for the nation and particularly for Black Americans stand at intolerable levels. This nation, at the federal, state, local and private levels, possesses the knowledge and the resources to eliminate the daily tragedies experienced by millions of Americans who suffer from poverty and unemployment. The National Urbna League calls for national leadership, commitment and the political will to rectify a social and economic situation that should be non-existent in this wealthy nation.

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ATTACHMENT A

Public, Private and Volunteer Partnerships Can Work Effectively In Assisting Families and Individuals Achieve Economic Independence

Community based organizaitons such as the National Urban League possess the field experience and capability to provide pre-employment education, training, and job placement services to persons who must overcome certain barriers to stable employment. The following sampling of programs operated by the National Urban League serves to illustrate how we deliver these services:

- Community Based Organization Partnership Program

  Provides technical assistance to Urban League affiliates operating employment and training programs funded primarily under the Job Training Partnership Act (JTPA). AS OF DECEMBER 1986, CLOSE TO 75 League affiliates (approximately 67%) operate JTPA funded projects with an aggregate budget of CLOSE TO $25 million.

  In 1985, approximately 26,000 participants were served. Success stories coming out of the JTPA programs were many. One of them involved a young woman who turned to the Urban League of Fairfield County (Stamford, CT) for assistance in improving her job skills. She was enrolled in word processing and clerical skills training classes, completed the course, and was hired as a temporary data entry employee with an employment agency. Through her own self-motivation she taught herself to use a digital computer and because of her performance the firm hired her on a permanent basis as an assistant programmer and is financing her continuing education at a local technical college. More incredible was the fact that the young lady was pregnant at the time she was accomplishing these feats.

- *Skills Training Centers* - As of July 1986, skills centers were operating in 32 Urban League affiliate cities, offering courses in programming, clerical/secretarial, computer operations and word processing at no cost to high school graduates. In addition to these core services, each center offers a variety of other training-related services: e.g., at our New Orleans center, basic academics, remediation and counseling are offered in addition to word processing.

The centers are operated in cooperation with IBM and other corporate and private support. A majority of the programs aLso participate in some JTPA ventures. Over its several years of existence, more than 5,000 students have completed the program with a remarkable placement rate of more than 80%. In the 1984/85 program year alone, 1,611 students were enrolled in the centers, 1,244 graduated and 1,049 were placed in jobs for an astounding 84% placement rate.

All of the centers are located in urban areas of high unemployment and the students come from the ranks of the unemployed or the underemployed. IBM or another sponsoring group provides equipment, instructors and supplies. The local affiliate provides outreach to students, the administrative structure and supportive services. Each center has an advisory group comprised of local business representatives who assist in securing funds for administrative staff and job placement for graduates, as well as providing executives-on-loan to serve as classroom instructors. Chart A shows how a number of benefits flow to the community because of the centers.

- Comprehensive Competencies Program - Relatively new, this program is targeted to young people out-of-school and is designed to increase their employability. Initiated with a grant from the Ford Foundation, this program is aimed at helping an individual develop competency in academic and other areas where he or she is deficient. This program is composed of two components, academic and functional. The academic component consists of courses in reading, language skills, writing, math, social sciences, etc. from the elementary to the college preparatory level. Job preparation--resume writing, conducting job searches, handling job interviews, development of proper work habits--is the focus of the functional component. As of 1985, programs were operating in five League affiliates--Peoria, IL; San Diego, CA; Tacoma, WA; Washington, D.C.; and Rochester, N.Y.

CHART A

AN INVESTMENT IN FAMILY STABILITY

FINANCIAL SUMMARY

RETURN ON INVESTMENTS

URBAN LEAGUE SKILLS TRAINING CENTERS

1984/85

84%. . . . . . Placements Rate

1049 Placements
1244 Graduates

$ 3,133. . . . . Average Cost per Placement

$3,286,360 Cost of Training
1,049 Placements

$ 12,084. . . . . . Average Salary after Placement

$12,676,278 Total Salaries
1,049 Placements

$ 8,971. . . . . Average Net Gain per Placement

$12,084 Average Salary
- $3,113 Average Cost per Placement

OR

288%. . . . . Return on Investment

$8,971 Average Net Gain
$3,113 Average Cost per Placement

$2,474,649. . . . . Total Cost of Public Support

(601 Reported vs. 1049 Placements-57%)

$3,194,082. . . . . Total Amount Returned to Government

+$1,225,474 Federal Income Tax
+$1,693,454 Social Security (FICA)
+ 220,021 State Income Tax
+ 55,133 City Income Tax

$10,328,923. . . Total Amount Returned to Economy

+$12,676,278 Total Salaries
- $2,347,355 Amt. Returned to Govt.
(less employers FICA)

$12,731,294. Total Net Gain to Public

- $2,474,649 Cost of Public Support
+ $3,194,082 Amt. Returned to Govt.
+ $10,328,923 Amt. Returned to Economy
- $3,266,360 Cost of Training

Chart Source: Honoring Yesterday, Challenging Tomorrow, - Annual Report 1985, National Urban League, Inc., New York, New York.

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WASHINGTON URBAN LEAGUE JOB TRAINING PROGRAM HAS 100% PLACEMENT RATE

WASHINGTON -- The Washington Urban League, which recently completed its twenty-first training cycle in word processing and data entry, announced a 100% success rate in placing the new graduates in permanent jobs.

A total of 60 persons were trained in data entry and word processing at the Information Processing Training Center (IPTC) this year. All 60 are employed by firms throughout the Washington metropolitan area.

The 1986 graduates join more than 500 others -- aged 17 to 65 -- who have gained new skills, jobs that offer growth, and increased earning power since the Center began operating eight years ago. More than 190 area businesses have hired IPTC graduates.

Effie Smith-Macklin, IPTC Director, said a majority of participants were receiving public assistance or unemployment compensation before enrolling at the Center, and many were women heads-of-household.

-more-

But upon graduation, these once-dependent trainees become economically self-sufficient citizens themselves able to contribute to society. A study done by International Business Machines, Inc. showed a net gain to the public of five dollars for every dollar expended for training.

The starting salaries of 1986 graduates range from $10,000 to $23,000, with most hovering around $14,000. For example, Michael Robinson, a word processor for the Federal Deposit Insurance Corporation, earns $14,560 annually; Katie Alston, a secretary for the National Council of Girl Scouts, earns $17,000; and Rubenea Dixon-Burton, an administrative assistant for the U.S. Veterans Administration, earns $22,622.

Smith-Macklin said, "We tell the participants that this is where one chapter ends and another new and exciting chapter begins. We take pride in the fact that we do make a difference in their lives."

In recent years, many job training programs have come under fire for their inability to produce well-trained graduates, and for their failure to equip trainees with skills which are in demand, even after what appears to be indiscriminate spending of private and public funding.

However, IPTC graduates learn skills relevant to today's high-tech market. According to employment forecasters, the ushering in of the Information Age, with its emphasis on computer usage, means that the best jobs will be reserved for the computer-literate.

-more-

In addition to acquiring technical skills, IPTC trainees have courses in office procedures, personal growth and development, and participate in mock interviews. These measures are designed to ease trainees' transition into the workforce and to ensure job retention.

Perhaps no one can better express the impact of the training offered at the Center than graduates themselves. Rubenea Dixon-Burton was unemployed and had rusty skills when she started classes in April. "They're really great in terms of the training offered and the motivation of instructors," Dixon-Burton said. "Because of them, I am working. I'll always remember them for turning my life around."

Once participants complete training, the ability of the IPTC staff to find graduates gainful employment largely depends upon the willingness of firms to hire them -- a task made less difficult because of the quality of IPTC graduates.

From the beginning, the Center enjoyed an overwhelming amount of support from the business community. IBM supplies training equipment and maintains the machines to the tune of $249,000 per year. The company also continues to hire IPTC graduates. Other employers include: Automated Datatron, Inc., Howard University Hospital, Veterans Administration, Riggs Bank, Xerox, Inc., American Security Bank, Small Business Administration, Amtrak, Pepco, the Joint Center for Political Studies, and the D.C. Public School System.

Promotions and salary increases of IPTC graduates within several months of their placement is not uncommon, and employers frequently relay to IPTC staff their satisfaction with the new employees.

-30-

10/24/86

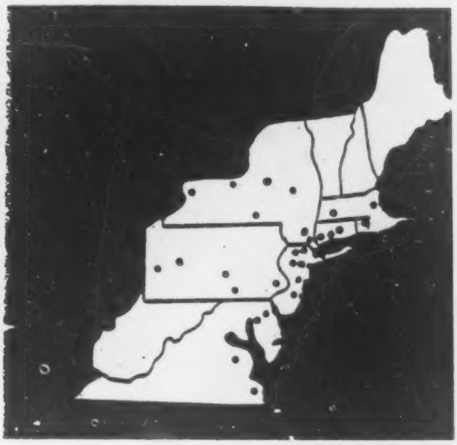
ATTACHMENT B

AFFILIATES OF THE NATIONAL URBAN LEAGUE

A REGIONAL OVERVIEW

SOURCE: National Urban League, Inc., 75TH Anniversary Journal 1910-1985. National Urban League, Inc., New York, New York, July 1985.

Overview of the Eastern Region



The Eastern Region of the National Urban League consists of 29 affiliates located in eight states and the District of Columbia. The geographical boundaries range from Boston (North) to Norfolk (South) with Farrell, Pennsylvania, as the westernmost point. The service area population encompasses some 32,904,748, of which 15.9% or 5,232,367 are black.

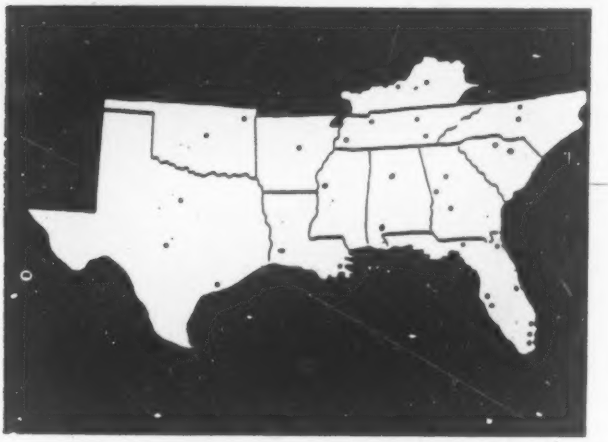
There are eight affiliates in New York; five in Pennsylvania; six in New Jersey; three in Connecticut; two in Massachusetts; and two in Virginia. Additionally, there are affiliates located in Baltimore, Maryland; Washington, DC., and the State of Rhode Island.

If trends continue, by the next decade all major cities in the East (with populations in excess of 100,000) will be among the poorest. Each city in the region has lost manufacturing jobs (blue collar). The emerging jobs are not compatible with the education or skills level of the population remaining in the region's cities. The unemployment rate averages 5.5%, 1% to 2% above the national level, and is double that for blacks, except for selected pockets of the region, such as Western Pennsylvania, Buffalo, etc. that have been more seriously affected by drastic lay-offs and plant closings in steel and other heavy industries.

Given the climate, for the most part, the region remains healthy even though funding has not kept pace with inflation. Eastern Regional affiliates received United Way allocations of some $[illegible] million in Fiscal Year 1984/85, which represents a 4% increase—the smallest in recent history. Affiliates fundraising efforts (special events, etc.) generated some $2.1 million toward their general fund operations. Special project funding in the region has gone from a high of $[illegible] million in 1980 to $15,499,274 in 1984.

In terms of human resources, the 29 affiliates reported general staff of 301 persons and 545 special project staff persons. Board membership totalled 888. The number of Guild Members has increased in the region from [illegible] to [illegible] and [illegible] of the 29 affiliates have active Guilds

Overview of the Southern Region



The Southern Region of the National Urban League extends across the upper tier of the southern states—North Carolina, Tennessee, Arkansas and Oklahoma—and down into what could be called the lower tier—Texas, Louisiana, Mississippi, Alabama, South Carolina, Florida, Kentucky and Georgia. In those 12 states are located 31 League affiliates whose primary constituents number some 3,171,000 or 27% of the population in the affiliate cities.

The nature of the cities themselves range from the bustling of a New Orleans or an Atlanta, to the somewhat quieter pace of an Albany, GA or a Knoxville, TN. In terms of black population, the cities range in size from Houston with 440,346 blacks to West Palm Beach, FL with 17,571.

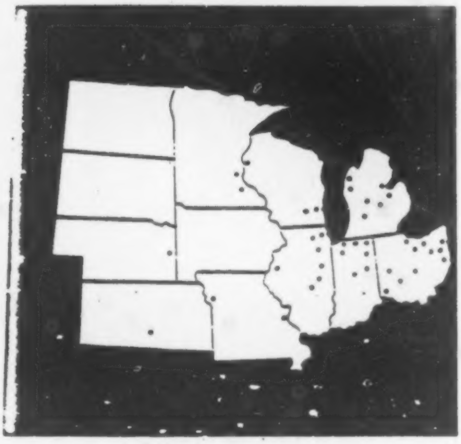
If there is one common trait of the region, it is variety. While agriculture is still of major importance, over the past several decades industry has grown tremendously along with such services as banking, finance, and information systems. In addition, a number of research centers have been created.

The Old South—that land where blacks once literally lived in fear of their lives—has given way to the often talked about "New South"—where social and economic patterns have changed tremendously. But many problems still remain for black people. There has been a slowing in the economic growth of the region and along with this there has been the rise of opposition to upward mobility and economic advancement of minorities.

Public schools continue to lag behind the rest of the nation and employment statistics show no measurable improvement in the overall job status of blacks. At the same time, it is true that blacks are finding jobs in positions that once they would have never even dreamed about holding, and black political strength is on the rise.

There has also been a noticeable reverse migration as many blacks from other parts of the country have headed back "down home" in search of more satisfying lives.

Overview of the Central Region



The Central Region is the largest of the National Urban League's four regions. It encompasses 41 affiliates in nine states that constitute the "heartland of America" often referred to as "Mid-America" or the "smokestack states."

The nine states of the Central Region contain 5,289,064 persons identified by the U.S. Census Bureau as black. Of this number 4,261,923 (80.5%) reside in communities that are served by the 41 affiliates in the region. Major cities in terms of the black population in the region are Chicago (1,197,000), Detroit (758,939), Cleveland (345,646), St. Louis (206,386), Kansas City (173,184), Indianapolis (156,620).

All 41 affiliates have active employment programs, many of which are focused on the retraining of industrial workers who have been displaced by automation in major industries. In addition to employment training programs approximately 52% of the Central Region affiliates are involved in housing counseling programs. These programs are primarily focused on counseling for persons who are in default in mortgage payments or who are approaching foreclosures. Again this is due to the high unemployment of workers in the Central Region.

As of April 1985 some 83% of the region's affiliates had embarked upon some form of computer training and computer activities directed primarily at single-headed households and high school graduates who do not intend to enroll in college. Economic development for the Central Region continues to be a major thrust program for affiliates as well as programs in teenage pregnancy.

Overview of the Western Region

The *Western Region* of the National Urban League encompasses the Westernmost states of the United States. Twelve local Urban Leagues—strategically positioned in the states of Arizona, California, Colorado, Oregon and Washington—serve 45 cities in the Western Region.

The *Western Region* is unique in the alignment of racial and ethnic groups. It has fewer blacks—less than two million—than any other region. Blacks are outnumbered almost two to one by Hispanics. Pacific Asians are found in greater numbers in the *Western Region* than in any other locale outside of the Philippines, China, Japan and Korea. Urban Leagues serve counties in which 84% of all blacks in the West live.

The *Western Region* has a very diversified economic base and rich in natural resources. Tourism is one of the major industries of the region. The Northwest is the home of the timber industry. The region is the home of a host of military installations including the Air Force Academy in Colorado. California is the home of the movie industry and heavy concentrations of the oil industry. The desert climate of Arizona provides a home for many retirees and others who seek escape from the more harsh climate of other areas of the nation. Electronic and other high tech industries are increasing rapidly in the region.

The uniqueness and diversity provide the Urban League with both opportunities and challenges as it seeks to accomplish its mission.

STATEMENT OF REV. J. BRYAN HEHIR, SECRETARY, DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE, U.S. CATHOLIC CONFERENCE, ACCOMPANIED BY SHARON DALY, STAFF PERSON, FAMILY AND SOCIAL POLICY, BISHOPS CONFERENCE

Father HEHIR. This is Mrs. Sharon Daly, Senator. She works with your staff, and at the Bishops Conference she is our principal staff person working on family and social policy.

Senator MOYNIHAN. Mrs. Daly, we welcome you to this hearing. Father?

Father HEHIR. Thank you, Senator.

I express at the outset the appreciation of the Catholic Bishops Conference of the United States for the opportunity to testify before you, and I would like my written testimony to be submitted for the record.

Senator MOYNIHAN. It will be in the record.

Father HEHIR. Thank you.

The Bishops Conference of the United States has had a policy regarding the question under examination, the welfare system, for a long time, as you know. Essentially, that policy has argued for adequate benefits for people in need; secondly, rejection of rules that threaten the structure of the family; and, thirdly, an argument that welfare policy must be tied to the larger macro question of a full employment strategy in the United States.

Today, essentially, I come to reaffirm those basic principles, but to do it in the context of a new debate about welfare policy in the United States.

I would say at the outset, Mr. Chairman, that we would want to thank you personally for your role in shaping this debate at the present time. You have a history inside of and outside of the Senate of being able to shape the structure of debate on a number of issues, from nuclear policy to education policy to social policy. We see this attempt to shape the debate on welfare policy as an opportunity.

Essentially what I will try to do in my oral remarks is to seek to contribute to the shape of the debate, as you are trying to structure it and others are trying to structure it on a platform that obviously needs much more aggressive attention than it has received.

What I will do in the remaining moments I have is to lift three principles from the Bishops' letter, "Economic Justice for All," the pastoral letter on the economy which was released last year, and then to address four issues that we think are particularly important.

There are three principles that pervade the pastoral letter on the economy that I think are relevant to the debate and to the examination of this committee:

The first is the dignity of the human person, that the dignity of the human person should be the basic criterion by which economic and social welfare policy is to be examined.

You have written previously that social policy should flow from social values. The dignity of the person is the basic social value in Catholic moral teaching.

The person is the clearest reflection of the presence of God among us. If we lay violent hands upon the person, or if we fail to shape a society that encourages the full growth of human dignity, we come as close as we can come to laying violent hands on God.

The prophets of the Old Testament said that the justice of a society would be tested by the way the widows and the orphans were cared for. The voice of the prophets rings with a particular resonance as we debate welfare policy, for it is the way the widows and the orphans of the Twentieth Century are cared for that is the test that is before our social welfare policy.

The second principle that governs our testimony is the unique status of the family. The person is radically social in our view; we cannot grow and develop as human persons without a social context. And in the wider social context, there is no substitute for the family. Its moral and human role is indispensable, and we think should be a primary criterion by which any social welfare policy is to be examined.

The third principle is the moral responsibility of government. It is not the view of Catholic social teaching that one should reach for the government first and foremost to solve all of our problems, but it is central to Catholic social teaching that government has a moral responsibility, particularly toward the most vulnerable in society.

In a wider social debate that consistently denigrates the role of government, we think that while particular policies must be debated on their merits, the essential moral assertion that government has a moral responsibility toward the most vulnerable in our society—once again, the widows and the orphans of the Twentieth Century—is a principle that cannot be negotiated.

So, those three principles govern our approach.

There are four issues that we would like to particularly highlight:

First, the need for a national eligibility standard and a national minimum benefits standard for welfare.

Essential to Catholic social teaching is to say that you protect the dignity of every person by setting a minimum floor for material necessities; that is to say, not everyone should have the same thing that everyone else has in a society—that is not necessarily a moral imperative. But there is a moral imperative that you cannot protect human dignity unless you set some minimum floor regarding questions like nutrition, housing, and health care.

We think the setting of a national eligibility standard and a national minimum benefits standard will go a long way to supporting that secondary moral principle in our argument.

As you know, today such standards do not exist, and indeed it could be argued that the way federal policy interacts with state policy that we in fact provide disincentives for states to provide adequate benefits in the welfare policy. So, we think there is a moral principle that is of some value there and that is threatened in the present existing system and needs to be recast.

Secondly, the second issue that concerns us, is the requirement that all states be mandated to provide welfare benefits for two-parent families, when one of the parents is working or unemployed.

Essentially our view is from both a moral and an empirical analysis, that government should not divide families, that that does a society no good, and that presently in half the states of the country there is no AFDC payments provided for families with two parents, and that in fact this has a kind of consequential logic that is most deleterious: it divides families when the people are already married, and we think it discourages people from getting married. We think on both counts we have here a very serious problem that could be remedied. We came close last year. The President opposed it at the last minute, and we lost it. But we hope that, again, when one looks at the agenda of issues that need to be addressed, this will be high on the list.

The third problem that concerns us is the question of teenage mothers who might be required to live with their families if they are to get AFDC payments.

Now, the view of our social service agencies and our view of "family" would be such that, as a norm, we would want teenage mothers to live with their families. The social fabric of support of the family presumptively would be exactly what you would need. But to require it absolutely, without any exceptions, to write it into law that they must live with their families to get benefits, we think, on the basis of the work of our social agencies, that this is risky, that there are situations where this simply is detrimental to the person, that the situations are not just the sort of extreme cases of aberration where you might have physical abuse or sexual abuse, but that there is simply in certain situations such crowded living conditions, large family and chronic family problems, that to say every teenage mother must live with her family or she won't get benefits again seems to push a desirable principle to the point of a coercive mandate that has a negative effect in its outcome. It may be unintended, but we think it will be negative.

The fourth problem we seek to address is the sort of basic question that is running through the present debate of how to prevent long-term dependency that is often associated with the welfare program.

The pastoral letter of the bishops argues that the long-term strategy for welfare is an aggressive job-creation program in the country, using both private resources and, where necessary, governmental resources and governmental training programs.

So, we have no doubt about the need, that work is essential to the dignity of the person, to the welfare of families, and to the good functioning of a society and an economy.

But we have some concern with the way the problem is being framed these days, framed in terms of long-term dependency. We find it entirely positive, the emphasis placed on training programs and providing work opportunities for welfare mothers. We are troubled by the way the question is cast. There is a rush to judgment, we suspect, a rush to judgment that says that the quicker you get welfare mothers into the workforce, the more rapidly that is accomplished, the better the program will be.

Our concern is really with the children rather than with the mothers. Our concern is with the impact on children, the most vulnerable resource a society has. And so we would particularly be concerned that mothers not be forced into the workforce until children reach school age. That seems to us to be a reasonable place to move from voluntary programs to mandatory programs.

You and others have indicated that the programs require training, as well as simply moving people into the workforce, and we of course agree with that. Our concern and our experience in our social agencies is such that we see an absolute shortage of child care in the country and a relative shortage of good child care. And so we are concerned about moving mothers into the workforce on a mandatory basis, on a universal basis, before children reach school age. We feel, on the whole, that the need to move people into the workforce is absolutely essential on several grounds, but our concern here is a matter of judgment. It is a question of prudence. It is not absolute moral principle we are concerned with here, but a question of prudence, about how one deals with the most vulnerable resource of the society, children.

We think it is clearly not unreasonable to ask mothers or to move mothers mandatorily into the workforce, with training, after their children have gone to school; but we are a little concerned before that.

Now, these are the general areas that we think are particularly in need of careful examination, and it is in light of the three principles I have articulated that we hope we can make a contribution to the debate.

Thank you very much.

Senator **Moynihan**. Make a contribution to the onset of Alzheimer's syndrome for this grey-haired senator here. The name of the principle of turning to the level of organized society closest to the family, and only gradually moving your way up? I keep forgetting.

Father **Hehir**. Subsidiarity.

Senator **Moynihan**. Subsidiarity. I dared not use that. Subsidiarity. I kept thinking, "No, it is not disintermediation." It is subsidiarity, right. [Laughter.]

Father **Hehir**. No, it is "intermediate associations" to fulfill the principle of "subsidiarity."

Senator **Moynihan**. Right you are, sir.

A couple of questions. First of all, on your last point, I think there has got to be a degree of sensitivity there. We do produce a lot of numbers about the proportion of mothers, married women with children under five, who are in the workforce. And it is quite striking at first; the number is approximately 54 percent. But how many of them actually work is not as clear, and how many work full-time is even less so. And what is the division between people who are professionals, just going to go back to teaching or lawyering and so forth, as against people who just work for the money that they need? I don't think we know enough about that.

You could be pretty silly, couldn't you? What did Mark Twain say about the French emigres after the American Revolution who came here? That they "eked out a precarious living, taking in each others' washing." And, you know, you could see a setting in which a mother leaves home in order to go to another home to look after the children, and that mother goes to the first home to look after the children there. And if they stayed home, obviously they would be better off and save the carfare.

It obviously requires individual judgement, and it ought not to be a general edict. And I couldn't more agree. Surely, we need to know a little more about it.

I think, for example, finishing high school should be considered "work" and should be something you really have to do. You can't drop out of high school, if possible.

Would you help us with this question of your number-2 on page three, with the teenage mothers and the requirement of staying home or leaving home? Would you clarify your position on this, because we are pressed in both directions on the committee, with people saying, "You just can't set up on your own at 16; we just don't think you ought to do that." On the other hand, I think the bishops are saying, "Well, sometimes you ought to get that young girl out of that house." Help me. Mrs. Daly?

Father **Hehir**. Let me begin. But you know how staffs work; Sharon Daly spends three times the amount of time on this that I do. I am fated to think about nuclear weapons, which doesn't help children or mothers. But Sharon thinks about children and mothers all the time.

I think what we try to say here in this testimony is that, clearly, common sense and social values would say that in the normal case, if I can put it that way, family support for a pregnant teenager is clearly what you want, and you want to try as a presumption to hold that together.

The difficulty is, when one mandates in law that you cannot get AFDC benefits unless you live at home, that overlooks the contingencies of what one might call "expected social pathology"; that is to say, in certain families the fabric of the family life is such—and perhaps can only be judged in a given situation—as to be detrimental, and that one needs a more sensitive way of shaping the law so that we don't lock ourselves into a situation that is counterproductive. I mean, Sharon might be able to fill out what I am talking about.

Mrs. **Daly**. Senator, most of the proposals along this line have acknowledged that there are some young mothers who probably should not live at home, and that the welfare departments could make the determination of which young mothers appropriately could leave and which could not.

Our experience through our Catholic social agencies is that the young mothers who need to leave home are not such a small exception; they are not only the ones where there has been overt abuse that can be documented by a social services worker and put in the file after a nice long investigation, and then somebody could make a choice.

But that, in fact, teenage pregnancy wreaks such havoc in families that very often there is just a terrible tension and a problem with the way the young mother is treated. Her own parents may reject her emotionally, they may not want her to be around her younger siblings, they may not want her to have any control over her own child.

And so, you couldn't document that there was a case of abuse here, but that if someone is working on a long-term basis, as our agency people are with these young mothers, you can see that in some cases the best choice is to find another place for the young woman to live.

It may just be that there is overcrowding in the parents' home. There are so many of these cases, and they need such careful handling, that this is not a situation we should turn over to welfare departments. Their record is not so wonderful in looking out for very abused children or foster care children. They have not got the best record in making these careful determinations about which children are better off in which situation. And to give them another responsibility, where we are talking about a very young mother and a little baby, we think it is dangerous.

Senator MOYNIHAN. Now, help us. If not the welfare departments, who? I mean, we're in the Bronx, now, right?

Mrs. DALY. Well, there should be that kind of help, but not with holding the sword over the family or the check will be cut off. I would like to see some more funding for counseling for those young mothers, for the education programs for those young mothers. Our agencies can't serve all the ones who come to us. And yet, to say that without that kind of support we are just automatically going to cut off money, unless the young woman can prove to the welfare department that she and her child are endangered, is a very dangerous thing, we believe.

Senator MOYNIHAN. What we are getting from you is some testimony about appearance. It is not data. They don't collect this in the current population surveys.

Father HEHIR. It really is a mix, I think, Senator, of, again, some social values we hold, but also the practical experience of Catholic Charities and diocesan agencies around the country. And I would have to say just pastoral experience. I do minimal amounts of that, but you run into this kind of question. And I just know from counseling experience that it is very hard to try and lift that up and frame it into law in an absolute way that would be effective.

Senator MOYNIHAN. I think it is important. I happen to feel that the bishops have been the most persistent and specific on this point, because about two or three years ago, if we were going to do anything, one of the things we were going to do was to say, "You can't leave home until you are 18, lady." And it was interesting that an organization that has been associated in the past with rather stern views on these matters should say, "No, be careful here."

The other thing you have said, and we can't avoid it as we try to shape some national redirections here, is that there is just an enormous amount of hand work that has to be done in these situations. I mean, these are children. The children and the mothers involved need an enormous amount of attention. And you say the welfare departments can't do it, but they don't—often, the hand work is left to the Catholic Charities, the Urban League, and other private agencies.

But you get this problem that defeats us. It shouldn't lead us to despair. The Mayor of Trenton testified earlier, and spoke of New Jersey, with the second-highest per capita income in the nation—about as wealthy a condition in life that you would ever ask the world for. Trenton has less than a third of the population of the county. Trenton is the capital of the state, and it has nearly all of the county's welfare cases, 93,000. A quarter of the population of Trenton is on AFDC. And where do the resources come for making judgments about that population. Twenty percent of the county's population is over 65.

There has got to be some level of social mobilization about this, or we are going to raise a generation of damaged children, aren't we?

Father HEHIR. I think one of the questions that came out of the pastoral letter and to some degree is embedded in the testimony, also, is that we are affirming a strong, moral, activist role for the government in the face of poverty and injustice; and at the same time we don't want to say that the government should do everything; indeed, the sort of principle of subsidiarity that you talked about, I think its practical, contemporary application is to be able to sort out what only the government can uniquely do in the face of certain social problems, and recognize the limits on what government can do.

So, for example, the raising of funds necessary to address a problem of this scope, it seems to me that it is inevitable that the government is the only place to go.

But to the question about who should make sensitive decisions like the one we are talking about, for example, you need to find a way to pair different kinds of organizations, which inevitably will receive government funds or else they can't function, but who operate at a different level of the society. And I think some of the critique of government that I think goes on somewhat irresponsibly today is a critique that joins the argument that government can't do everything at the local level with an argument that it ought to do nothing at the national level. It seems to me that goes the wrong way.

Senator MOYNIHAN. This committee begins with the assumption that we settled that issue in 1935 when we adopted the Social Security Act. We are talking about the Social Security Act. I do hope that people will come to understand that what we call "welfare" is Title IV of the Social Security Act, and it is a national commitment made a half-century ago, and it is not working very well. Most other titles of the Act are working very well indeed.

And the Social Services under Title XX of the same Act provide I should think a large portion of Catholic Charities' work represents federal funds, do they not?

Mrs. DALY. Yes, but considerably less than it used to be before the big cuts in the Social Services Block Grants.

Senator MOYNIHAN. But for the Urban League and Catholic Charities, and so forth, the federal government has found ways to get resources and use the unique capacities that you have that you are never going to get through a civil service system.

I would say one other thing, though, just by the way of good cheer—I don't have much good cheer about nuclear weapons, father, but I think the day is past when we have gone through our phase that "government is not the answer to our problems; government is the problem." We have heard that theory, and that, thank heavens, is past.

There are limits to what government can do. And anyone who doesn't know that knows little about government and shouldn't be allowed near the thing. But there are things that only government can do, and making those distinctions is a question of judgment and experience, and I think you have made them very well. There is a moral responsibility in an organized society to look after its children in certain essential ways.

With any luck, this committee and this Congress will seek to doing it with a somewhat better effort.

We shall be staying in touch. Thank you for coming.

Father HEHIR. Thank you.

Senator MOYNIHAN. And thank you for bringing Mrs. Daly. Now we know where all of the information really comes from. You just get back to the deterrence theory, right? Thank you.

How are you enjoying your year?

Father Hehir. At the Conference, you mean?

Senator MOYNIHAN. Yes.

Father Hehir. Oh, well. At the Conference we just have more work than we can do.

Senator MOYNIHAN. But that is a way to be.

Father HEHIR. That is a good way to live.

Senator MOYNIHAN. Yes. Thank you very much.

Father HEHIR. Thank you, Senator.

Mrs. DALY. Thank you.

Senator MOYNIHAN. And now the Reverend Charles Bergstrom, who is the Executive Director of the Lutheran Office for Governmental Affairs. And, the Lutheran office here represents the American Lutheran Church, the Lutheran Church in America, and the Association of Evangelical Lutheran Churches, all three.

We welcome you, Reverend, and I see you too are accompanied by an associate. I wonder if you would have the kindness to introduce her?

[Father Hehir's written prepared testimony follows:]

TESTIMONY OF

REV. J. BRYAN HEHIR

SECRETARY, DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE
UNITED STATES CATHOLIC CONFERENCE

ON

WELFARE REFORM

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY

WASHINGTON, D. C.

FEBRUARY 2, 1987

Good morning, Mr. Chairman. I am pleased to be here this morning to represent the views of the United States Catholic Conference, the public policy arm of the Roman Catholic Bishops of the United States.

The topic of this morning's hearing, the Aid to Families with Dependent Children (AFDC) Program, is of deep concern to the bishops. Our views on this subject are shaped by two perspectives. The first is the principle that human dignity is the fundamental criterion against which public policy must be measured. Secondly, and more specifically, is the conviction that in a society as rich as ours there is no excuse for the extremes of deprivation and poverty that leave millions without even the basic necessities of life.

Throughout this century the Church has been actively involved in working with and for the poor. By means of our ongoing pastoral work, our extensive network of charitable agencies, our efforts to organize and empower the poor, and our advocacy work to improve public policies, we have had extensive contact with the problems of the poor. This experience has led the Catholic bishops to work for improvements in the AFDC program. Throughout its history the Catholic Conference has consistently called for adequate benefit levels, a comprehensive full employment strategy, rejection of welfare rules that weaken families, and administration of the program in a manner that supports dignity, equity and self-determination.

That is still our message, Mr. Chairman. Before discussing in detail the specific topic of this morning's hearing, it is necessary to point out that the median benefit for a family of three that receives both AFDC and food stamps and has no other income is less than three-fourths of the government's official poverty line. This, despite increases in benefits that have been approved in some states in the past year. In Virginia, where I serve in a parish, the maximum combined AFDC and food stamp benefit for a family consisting of a mother and two children is only 74% of the poverty line. That's $354 a month in cash and $175 in food stamps. In your state of New York they do a little better. There the with the maximum combined AFDC energy assistance and food stamp benefit for a mother with two children is about 90% of the poverty line. Of course, the inadequacy of even that benefit is alarmingly clear from the statistics on homeless families lodged in "fleabag" hotels. It is clear that welfare benefits are woefully inadequate in this country and do not provide sufficient income for the necessities of life. As we have stated on other occasions, we believe that the federal government should establish a national minimum standard benefit to cover those basic human needs.

AFDC benefits should also be adjusted annually to reflect increases in the cost of living. As you know, AFDC benefits, which are primarily for children, are not automatically indexed for inflation as are benefits for the elderly, so their value has dropped by one-third since 1970. Poor children are entitled to the same federal protection as the elderly.

Federal rules also discourage states from raising AFDC benefits on their own. States that are inclined to substantially increase their AFDC payment levels are stymied by the federal food stamp rules that reduce food stamp benefits by 30 cents for every dollar of increased welfare income. To increase a welfare family's income by $30 a month, the state has to raise AFDC benefits by $45. A state such as New York with a 50% federal matching rate would spend $21.60 for each $30 increase in the family's income while the federal government would spend only $8.40. This interaction between AFDC and food stamps is a powerful disincentive for states to raise AFDC levels. A

100% federally funded minimum benefit could help to counteract this problem.

In addition to a federal benefit floor, there are three other major questions under consideration in this year's welfare debate:

1) Should we permit states to deny aid to otherwise eligible needy children solely because they live with both their parents?
2) What should we do about unmarried teenage mothers who do not live with their own families?
3) How should we go about trying to prevent welfare dependency?

The way we look at these questions and the ways we try to answer them are intimately connected to our views about family life and the role of government in upholding human dignity.

1. Benefits for Two-Parent Families

On the question of benefits for two-parent families, our views are shaped by a long tradition of Catholic social teaching about human dignity, human rights and the family, as well as our practical experience in working with families devastated by poverty, conflict, disabilities and despair. Both our moral vision and our direct experience tell us that government should not be in the business of dividing families, yet that is precisely what the AFDC program does. In half of the states, two-parent families with children can get no welfare aid, no matter how poor they are. A family gets nothing from the AFDC program unless one parent, usually the father, abandons the children. Such a policy is flagrantly unjust. In our judgment, such a policy is not morally defensible.

Even in those states that offer the AFDC for Unemployed Parents program, federal rules are so strict that only a handful of two-parent families can qualify. Most are ineligible because the father is just entering the workforce and has not worked enough quarters or because he has been unemployed for over a year. Still others are not eligible, even though the family income is well below the state eligibility limit, because one of the parents is working too much — more than 100 hours a month. These rules have never made sense in the past. Now, with less than one-third of the unemployed receiving unemployment benefits and a totally inadequate minimum wage, they are even more cruel and destructive.

Last week I testified before the Banking Committee about growing homelessness among two-parent families, even those with a parent working. Staffs at our social agencies are helpless in the face of these situations. There are virtually no subsidized apartments for such families, and no cash assistance. Imagine how our Catholic social agency workers feel when they have to explain that families must separate to survive. The state statistics bear out our experience -- when states have terminated their two-parent programs, there have been immediate increases in the single-parent programs, as fathers left home and mothers reapplied for benefits for themselves and their families.

Perhaps even worse in some ways are the effects on unmarried parents in communities ravaged by high rates of long-term unemployment and poverty. How many marriages are never performed because the couple recognizes that the father will not be able to support the family and that his very presence would deny government aid to the wife and children?

For the past three years the USCC has supported a House-passed initiative by Rep. Harold Ford that would require all states to implement the AFDC-unemployed parent program and would make the work history rules a bit more rational. Each year the Senate has acquiesced to Administration opposition to the House provision — most notably last year after a dramatic telegram from the President when he was in Reykjavik. We urge the Finance Committee to exercise strong leadership this year and to insist that the current blatant discrimination against marriage be eliminated in the AFDC program.

2. Teenage Mothers

While the AFDC program requires many parents to leave home before the children can get help, some policymakers want to require unmarried teen parents to stay at home. On the face of it, this proposal has a lot of appeal. It is obvious that, in general, most young mothers would do best with the supervision, help and support of their own parents. Unfortunately, the issue is not so simple.

The Church has a long history of work with young unmarried mothers from residential maternity homes to adoption and foster care services to community-based services to pregnant and new mothers. We know only too well how difficult it is for teen mothers to manage on their own. We try, whenever possible, to unite pregnant teens with their own parents. However, we have residential and non-residential programs filled with young mothers who simply cannot live with their own families. Sometimes the best solution is to find apartments for them and to continue to provide support services. Some of the teenagers in our programs have been pressured by their parents to have abortions. Others come from homes with persistent or intermittent substance abuse, violence or neglect. Even where the problems are less dramatic, new mothers are sometimes emotionally rejected by their parents who fear disgrace or influence on younger sisters. We simply cannot withhold AFDC from these new mothers who, for very legitimate reasons, need to leave their parents' homes.

We also think it would be unwise to give state and local welfare departments new authority to decide in advance which young mothers should remain at home and which are justified in trying to establish separate households. Welfare departments are not adequately funded or staffed to make such sensitive decisions in addition to their many other responsibilities. Think of the welfare departments that are so often in the news because of failure to act promptly in reported cases of child abuse and neglect. Think of the frequent accounts of the inability of welfare departments to aid homeless families or to find adequate foster homes for abused and abandoned infants and children. I do not mean to attack welfare department employees who are trying to meet their responsibilities in the face of impossible demands. But we must be realistic about their ability to take on new assignments when workers already have caseloads far in excess of manageable limits. It would be unfair and even dangerous to subject very young mothers to a bureaucratic process of proving their own parents unfit. Those who are able to find other living arrangements, through private agencies or on their own, should not face this additional burden. Welfare departments already have authority to step in when they discover that young mothers are neglecting or abusing their children. Additional discretion is not necessary.

A more positive approach would be to make funding available for non-profit agencies to counsel young parents and their families and to reconcile those who could really benefit by reunification. It would also make sense to repeal the 1981 federal legislation that reduced or eliminated AFDC payments to families with a teen parent residing at home. The grandparent deeming and single filing unit rules substantially reduce aid to young mothers who live with their own families. Why not create incentives for families rather than requirements that could endanger young mothers and their children?

3. Preventing Long-Term Dependency

In their new pastoral letter, Economic Justice for All, the bishops stress their conviction that decent job opportunities are the best solution for most welfare recipients. They call for job creation programs that incorporate training, placement and subsidized child care to supplement the limited number of jobs available in the private sector.

In our view, government programs should reward rather than punish welfare recipients who try to become self-supporting. However, the way the programs work now, there are few incentives and many disincentives for welfare mothers to find or keep jobs. This situation had been true for many years, but worsened following the 1981 Reconciliation Act which removed many of the previous work incentives in AFDC. If AFDC is to be reformed or replaced, the key to success would be enough supplemental benefits in cash, medical assistance and child care so that working parents can have the basic necessities required for human dignity.

While we strongly support proposals to increase work and training opportunities for welfare recipients, we are troubled by the way that the question has been framed. The vast majority of welfare recipients are on the rolls for between one and two years. Only a very small group of families remain on welfare for a long period of time. Recently, much of the discussion has focused on these families, and the question has become: How to get mothers, especially young mothers, off the welfare rolls and into the labor force as quickly as possible? Most people assume that these mothers and their children as well as society as a whole would be better off if the children were put in day care at the earliest possible age so that the mothers could be placed in jobs or be given work assignments so as to "earn" their welfare checks. Some states want to require mothers to leave their babies in child care when they are as young as six months so that the mothers can get jobs.

Let me mention several of our concerns about these proposals. First, we believe that human work has a special dignity and is a key to achieving justice in society. But, as Pope John Paul II reminded us in several papal encyclicals — namely, *On Human Work* and *On the Family* — caring for one's own children is work that is just as important and valuable to society as paid employment. While the trend is clearly toward mothers of young children working at least part-time, we question whether the government should degrade the value of maternal care by a policy that *requires* mothers of young children to take jobs outside the home. Do we really want federal policy to enshrine the notion that the family is only an *economic* unit and that parents' primary responsibility is to provide for material needs rather than emotional, intellectual or spiritual needs?

Second, we do not agree that *mandatory* work programs for mothers of young children are necessary or wise. It is clear from the ET program in Massachusetts and other experiments that well-managed *voluntary* programs that offer good education and training opportunities and real jobs are the answer. Of course, low unemployment, above average wages and a booming economy also contribute to a high rate of success. When good jobs are available, there is little problem in persuading welfare recipients to take them.

Child care and health benefits are also essential. Mothers who find satisfactory, affordable day care arrangements and have private health coverage or Medicaid (or have extraordinary luck) can usually manage to keep their jobs. When society fails to provide one or both of these essentials, either the mother can't hold her job or the children are neglected. Either result is unsatisfactory, but the latter should not be tolerated.

We also need to look carefully at the real costs of adequate child care in light of anticipated earnings of welfare mothers. How much are we willing to spend on day care so that mothers can get off welfare rolls and on to work rolls? Since adult welfare recipients are nearly all women and newcomers to the labor force, we have to be cautious about what they can be expected to earn. Unless they have an employer or family member willing to provide child care, they will need government subsidies. In many states the cost of good child care for one child will be more than the current maximum AFDC payment for a mother and one child. In nearly all states, good child care for two children will cost more than the current maximum AFDC grant for a mother and two children. Because nearly all of these women will have very low earnings for at least several years, they will continue to be eligible for food stamps and the earned income tax credit. The total combined cost of the day care, food stamps and EITC would be higher than the combined current benefits for mothers staying at home with their own pre-schoolers.

Of course, we know that most state proposals for work programs assume much lower costs for child care than are reasonable. State administrators have approached Church-sponsored child care centers with proposals to expand capacity — but at the same time accept much lower reimbursement rates. Some states expect non-profit child care programs to subsidize their jobs programs rather than the other way around.

There is an absolute shortage of child care in this country, and the shortage of good care is really alarming. The Archdiocese of Washington has a very good center here in this city, but it generally has a waiting list of six months to a year. The center charges $420/month to care for children six months old to one year and $312/month for children between one and five. In Washington, D. C. the maximum AFDC benefit is $257/month for a mother and one child and $327 for a mother with two children. The District can contract to care for a child and pay $312 - $420 a month to our center or provide $257 a month for the mother to stay home with her own child. If the mother has a three-year-old and a four-year-old, the District can pay the center $624 a month or pay the mother $327.

Of course, cheaper care is available but much of it is of very poor quality, unregulated and usually unsupervised. Economizing on poor quality day care is risky and incurs long-term costs for children and society. Unless the states expect to find jobs for welfare mothers as bricklayers, electricians, computer technicians or other well-paid jobs that are usually held by men, the states will have to pay for the day care costs of the pre-schoolers. Thus, except for states with a significant growth in jobs with above average wages, the projected cost savings of work programs for mothers of pre-school children are largely illusory.

Like other mothers, most welfare mothers have entered the workforce by the time that their youngest children enter school. With provision for after-school supervision, it is not unreasonable to expect welfare mothers to work at least part-time, if decent jobs are available. Because of the much lower costs of care for school-aged children, the AFDC program could realize significant savings by helping these mothers find jobs. The AFDC program has not made this goal a priority, and it is disappointing to hear policymakers argue for mandatory programs for mothers of pre-schoolers without a real effort to help mothers of older children.

Before closing, I also want to mention briefly our interest in two bills you have introduced to aid homeless AFDC families.

Last Thursday the USCC testified on homelessness before the Subcommittee on Housing. In that testimony we urged consideration of S. 37, a bill that would permit use of AFDC Emergency Assistance funds to be used for construction and rehabilitation of low-cost housing for AFDC families that would otherwise be homeless. The real problem is that the federal government has all but abandoned direct funding for low-income housing, and states and localities have to find other ways to get access to federal funds. This bill would permit use of AFDC funds for cost-effective housing development. This is a very creative solution but should be part of a much broader attack on the primary cause of homelessness: a shortage of low-cost housing.

We also hope that the Agriculture Committee will take swift action on S. 36, the Chairman's bill that would make sure that homeless families lodged in welfare hotels are not denied food stamps.

Conclusion

Of course, there are many other issues that could be addressed concerning AFDC and related programs, but my testimony today is based lergely on the pastoral on the economy in which the bishops stress the need for:

(1) A national eligibility standard and a national minimum benefit level to ensure adequate levels of support;
(2) A requirement for all states to provide welfare benefits to otherwise eligible two-parent families with a working or unemployed parent; and
(3) A redesign of AFDC so as to give recipients a real chance to escape poverty and to become self-supporting through gainful employment.

As the new pastoral points out, the search for a more human and effective way to deal with poverty should not be limited to the short-term reform measures we present here. While we have no blueprint, the agenda should include serious discussion of more fundamental alternatives to the existing welfare system.

We urge the Committee to begin an examination of a family allowance or children's allowance system that would supplement other income to ensure a floor of support for all children. We agree with the Chairman that the issue of child support from absent parents needs more attention. States are just beginning to implement the new Child Support Enforcement Act, with varying degrees of success, and it is too early for broad conclusions. However, the Committee should carefully study the effects of the new Act and consider the need for additional refinements.

Mr. Chairman, thank you for this opportunity to testify today on behalf of the Catholic bishops.

STATEMENT OF REV. CHARLES V. BERGSTROM, EXECUTIVE DIRECTOR, LUTHERAN OFFICE FOR GOVERNMENTAL AFFAIRS, AMERICAN LUTHERAN CHURCH, LUTHERAN CHURCH IN AMERICA, AND ASSOCIATION OF EVANGELICAL LUTHERAN CHURCHES, ACCOMPANIED BY KRISTIN ANDERSON OSTROM, STAFF PERSON, LUTHERAN OFFICE FOR GOVERNMENTAL AFFAIRS

Reverend BERGSTROM. Thank you.

I have learned much from Bryan Hehir, and one of the things is to depend on important and helpful staff. I have with me Kristin Anderson Ostrom, who is not only a staff person, but a part of what I think will be helpful in our presentation, Senator. The Lutheran churches we represent held seven hearings on welfare reform across the country, and Kristin has put that together and will probably be the chief responder to any questions that you might have about those very specific hearings.

Senator MOYNIHAN. Well, we welcome you very much, Ms. Ostrom, and we look forward to your statement, which will obviously reflect some of the hearings you have been taking on.

Sir?

Reverend BERGSTROM. I would like to request that the entire statement become a part of the record.

Senator MOYNIHAN. So ordered.

Reverend BERGSTROM. Then I would like to abbreviate and select portions which I think will be the most important.

As you have indicated, we are representing three of these churches, and I would like to join our voices, Senator, with those you have already heard this morning in appreciation for your work in this area. I hope you understand the sincerity with which these appreciations have been given on the part of myself and the other groups.

Our Lutheran church's testimony grows out of a long standing concern for the well-being and dignity of all persons, especially those who live in poverty. The church, through our congregational soup kitchens and shelters, our social service agencies, job services, hospitals, and individual counseling and advocacy efforts, is confronted daily with the needs of the poor.

Out of the church's faith and experience in ministering to the poor, we believe that it is the Creator's will that both individual actions and corporate structures protect and enhance the dignity of all persons.

As Christians, we believe we have a basic responsibility to serve the needs of the poor. Sometimes this is called "charity," but at the same time we believe it is the proper function of the state, under God, and in the furtherance of justice, to promote the general welfare. And we believe that the Church and government can interact creatively in the struggle to eliminate poverty.

The following general principles guide our approach to the issue of welfare reform:

Number one; the poverty of millions of this nation's citizens is a continuing scandal which calls for both government and voluntary action;

Two; justice demands that the needs of the poor be consistently met and their human dignity respected;

Three; government, as the God-given means of enforcing the claims of economic justice, has among its responsibilities ensuring that all people have access to the minimum necessities which are prerequisites for full participation in society;

And four; it is essential to the dignity of persons that they have the ability to work. Every able-bodied adult should be afforded the opportunity for meaningful employment, sufficiently remunerative to secure at the very least the minimal necessities required in our society for living in decency and dignity.

But during the 1980's, changes in federal welfare programs were made within the context of the federal budget debate, and while the federal government significantly cut federal programs targeted to the poor, the church has witnessed a sharp increase in the number of hungry families standing in line in our soup kitchens, and the church has witnessed growing numbers of homeless families, including men, women, and children sleeping on our congregations' floors. Our Omaha Pantry System alone experienced a 120-percent increase in emergency food needs between 1982 and 1985.

I noticed recently the story of a 500-percent increase here within the District in one year of homeless families. This is certainly a national disgrace in terms of the needs and help that God has given to us.

So, responding to this opportunity, the Lutheran Church launched a national educational campaign on the extent of poverty in the United States, and the need for welfare reform, entitled "More Than Charity."

The centerpiece of this campaign included seven regional hearings on poverty and welfare reform held this past fall. Lutheran Bishops and other church officials heard testimony from a wide cross-section of people, including the poor, congregational volunteers, Lutheran social service staff, elected officials, and governmental personnel. These were held, as you will note, in Minnesota, Nebraska, Ohio, Kansas, Missouri, Colorado, and Alabama.

And so, it is on the basis of the church's social statements on poverty and social welfare, informed by this recent testimony that the Lutheran Church has received from the poor and the people working directly with the poor, that we submit the following comments on the current welfare reform debate. I would like to summarize these seven comments with brief statements of support following them.

Number one; poverty is the primary problem, not the welfare system. The recent attention on our federal and state welfare systems and the need for reform has focused on the welfare client's dependency on the system. This is a serious matter. But it is essential to recognize that the problems of poor families are rooted in an economic and social system, not just a welfare system. And underlying economic and social factors are at the heart of that problem.

Two; reform or replacement? is a question to be asked. Ideally we support a comprehensive overhaul of the current welfare system. We believe that a fundamental restructuring of the system is necessary to ensure that all people have access to the minimum necessities which are prerequisites for full participation in society. But until this current system is replaced, it is essential that reform do take place. And even alone, specific incremental reforms can significantly improve the system.

Comment number three is regarding adequate employment which is a key to battling poverty. It is axiomatic to say that the best way out of poverty is a good job; the link between the economy and poverty is clear. But a tragic reality of our economy is a rate of unemployment which, although lower than the depth of the recent recession, is still far above the 4-percent level mandated by the Humphrey-Hawkins Full Employment Act. You can add to that the inadequacy of unemployment benefits, reliance on jobs which sometimes pay low wages and the fact that the federal minimum wage has not been adjusted for inflation since 1979.

And yet, two-parent working poor families still represent the fastest-growing segment of this poverty population.

So, we affirm and advocate government policies which reflect a fundamental commitment to reducing unemployment.

We affirm and advocate raising the federal minimum wage, which has been severely eroded by inflation in recent years, and indexing it to prevent further erosion.

We affirm and advocate providing supplementary support services, such as residual grants, childcare and health care coverage to employed poor families.

Comment number four is in regard to welfare-to-employment. There has recently been a great deal of discussion concerning welfare and welfare-to-work proposals. Our welfare system seems to punish those who try to make changes in their lives.

So, we affirm the need to provide real opportunities within the welfare system to allow recipients to make the transition from welfare to employment, to meet their own basic needs. We believe, Senator, that this transition must be viewed as a social investment, not just as a way to reduce the current welfare rolls.

Your colleague Paul Simon has just recently written a book on the employment problem, and all of the other things that are added to unemployment, as perhaps you have already read.

Senator MOYNIHAN. I have indeed; a very good book.

Reverend BERGSTROM. For the transition to be a social investment leading to long-term economic self-sufficiency, such a welfare-to-employment program should care for the following considerations. Under this, we would ask you to consider reciprocal responsibility. It has become important to emphasize that poor people have a responsibility to change their situation. We affirm that individuals have such a responsibility. We want to also affirm that society and human service agencies have a responsibility to help.

I was glad to see Governor Castle strongly endorse that idea.

A second consideration is choice. We should have options made available to people—higher education family-development education, job training, job placement, and, job readiness.

Third, we would want to consider the "value of parenthood," the whole matter of traditional support for families. Mothers and fathers of young children, working at home to educate and raise their children, provide a necessary and an essential service to society. If a parent would like to participate in an education or training program, full or part time, they should have the opportunity to do so.

And there is the matter of job creation. We think it is an integral part of a successful welfare-to-employment program.

The final consideration under this plan is that welfare recipients have adequate support services. We need to provide adequate day-care, health care, and simple things like transportation.

Comment number five has to do with the whole matter of support. It will be necessary for those who are in this transition from welfare to employment, and also for those poor people who may always need assistance for example—the aged, handicapped, and disabled persons, to provide adequate benefits which meet basic human needs and are accessible to all those in need.

Again and again, throughout these seven regional hearings that the Lutheran church held this fall on poverty and welfare reform, testimony reflected the fact that the current federal/state welfare system does not provide for the basic necessities of life.

The combined Aid to Families with Dependent Children and food stamp benefit is three-fourths the federal poverty line in 40 states. Throughout the hearings, recipients and congregational volunteers noted that food stamps last only two weeks of the month. Our church food pantries are rapidly becoming a primary source of food rather than an emergency source. And, in addition, there is presently not enough low-income affordable housing available. Testimony described waiting lists up to 2000 people long in some cases, with four to five year waiting periods.

So, we affirm the role of the Federal Government to ensure that benefits are adequate to provide basic human needs, based on a single-criterion of financial need.

We would encourage the committee, particularly, to study the American Public Welfare Association's proposed, nationally-mandated, state-specific 'family living standard,' with which I know you are acquainted.

In the interim, we support a federal minimum standard for the Aid to Families with Dependent Children program, indexed to inflation; and also, the expansion to all states of the AFDC Unemployed Parent Program is important.

Then, comment six regards administrative reforms. We feel the system that seeks to aid the poor often creates greater hardship for the poor. Many of the recipients testified in our hearings to the emotional and psychological abuse the system placed on them—impersonal treatment, lack of compassion, and so forth.

Seventh is poverty prevention, which we hope is a part of any welfare program. We can not ignore the necessary investment we need to make today in our poor children and their families in order to prevent the poverty of tomorrow—to break the cycle of poverty.

We mentioned some of the important programs that we think have been so helpful in communities where our church has served: Headstart, WIC, compensatory education, child nutrition and so forth

I would like to conclude by suggesting that the following questions can help judge various incremental or comprehensive proposals.

Number one, does the system adequately meet the basic human needs of the poor including income, nutrition, shelter, and health care?

Two, is the system accessible to all those in need?

Three, does the system support family stability, and value parenthood?

And four, does the system encourage long-term economic self-sufficiency, and adequately provide transitional assistance?

It will continue to be important to remember that reforming our welfare system cannot take place in a vacuum. Battling poverty must be our primary objective. We must battle our nation's current unemployment rate and below-the-poverty-line minimum wage in order to provide real economic self-sufficiency to more of our citizens. We must battle poor education, poor nutrition, poor health, and poor housing. Both the church and the government have an obligation to battle the poverty we are confronted with daily. We all have an obligation to invest today in the futures of our poor children and their families, and thus, in the future of our nation.

Let me add one personal note. Senator, I served in the church in New England for 25 years and used my pastoral discretionary fund to help my families. It is a limited experience, but in my last parish of approximately 2500 members I don't ever remember having the feeling of suspicion about those people who came to me for help.

I think that is one thing we should erase from our minds nationally about people who would genuinely like to help themselves wherever possible—the idea of enjoying welfare; and that somehow we can do something about that goodness in the nature of these people.

Thank you, sir.

Senator MOYNIHAN. Thank you, Reverend Bergstrom. That is beautiful testimony, if I can say, and your close was especially beautiful.

I want to ask you something, and if you wouldn't mind I would like to start off by asserting something. You remarked here on page 3 that during the 1980's changes in federal welfare programs were made within the context of the federal budget debate, something you didn't agree with at all. But may I say it is my absolute conviction, and the testimony is overwhelming—it is now published testimony; it used to just be oral. But that budget debate was deliberately brought about for the purpose of reducing the social welfare component of the American national government. A crisis was created. A deficit was made, in order to smash the "bloated welfare thing."

And it was a crisis that got out of hand; it was supposed to be a neat, clean, well-organized little crisis, and it billowed into something much larger, with the reality of our debt, and the loss of employment, accompanied by the change in the exchange rates with our trading partners and such like. The consequences will be with us for the rest of the century.

But it didn't just happen that we had that deficit; it was made to happen, and it was one of the most irresponsible things anyone has done in domestic American affairs, certainly in my experience.

I think we don't know that at a certain level this was a conspiratorial undertaking, to create a sufficient shortfall in federal funds that we would undo all of these things that had been somehow or other put together during the last half century that we can't understand it. I mean, if you haven't read Mr. Kaufman's book, I commend it to you.

The interesting thing is that it is hard for people to understand it, to accept it. "Surely, nobody would ever do that," right? Surely no one ever should have, but they did.

I think that phase is over, but in its aftermath we have a structural problem, a fiscal condition in the federal government that is going to be with us as long as you and I—not as long as you, Ms. Ostrom. [Laughter.]

But we are working at this.

Reverend **BERGSTROM**. Senator, I would like to make a public confession here—Lutherans believe in public confession. I had a longtime suspicion about what was happening with the budget, and that statement of yours cemented that idea in my mind. I sat here at this table before the committee, chaired at that time by Senator Packwood, and we did the same in the House with Congressman Rangle's committee, and we felt we were being steamrolled, that we looked like the "big spenders" because of our concern about the poor people. It is a good, different atmosphere, I can assure you.

Senator **MOYNIHAN**. Boy, heaven spare us from ideologues.

I would speak to you in the terms that I spoke to Bryan Hehir, which is that, you know, the pastoral experience of the church here. When you say that poverty is the primary problem, not the welfare system, and the need for reform is focused on the welfare clients dependency, it is important to recognize a significant dependency factor within our current system. But that is really not what the issue is—that is a segment of a problem that you do see there, but that is really not what the issue is.

That is your experience, it is not a position you have derived through a process of deduction from first principles; but that is something you feel in your hearings.

Perhaps Ms. Ostrom would like to address us.

Ms. **OSTROM**. The need is overwhelming. We need to remember that the welfare system needs to be reformed, but we can't continue to bash the welfare system.

The primary problem is poverty, the primary problem of families in poverty is rooted in our economic and social system. They come to us for help. We need to provide them a hand which will help them achieve long-term economic self-sufficiency, not sort of some dangling hand out there or some sharp sword that says, "No, you are not a good person," We need to offer the poor a decent hand to help them move toward long-term self-sufficiency.

Senator **MOYNIHAN**. Again, you took testimony. You went out and you worked with them.

I remarked to Dr. Glasgow that we are learning to disaggregate this population. There are different kinds of people in it, people with different circumstances. For example we learned that in Merced County about 22 percent of the people receiving AFDC benefits do so for under 52 weeks. It is exactly what Social Security was designed to do.

When Social Security was enacted under President Roosevelt, the most important provision was unemployment insurance. Suddenly we had unemployment insurance when there was a lot of unemployment. It was income insurance. When you stopped working, you would get some income. When you were disabled, you would get some income. If you lost your job for a limited time you would get it. And for AFDC, the same thing.

And for some people that is obviously no more than a divorce; the loss of a job; or some other temporary and unexpected problem. On the other hand, there are those who are going to be on assistance a very long time. And there is certainly some dependency factor for people who have been on that three years and four years and five years. But clearly, their circumstances are very different.

The problem you see in Merced County, where half the AFDCU population is the Hmong tribesmen—well, it is a question of employment problems. It is literally no more than that.

Don't you find people feel they can make these distinctions now, wherein in the past they would just see it as a large blur called "welfare"?

Ms. OSTROM. I think the public has a very difficult time understanding it; but the people who tend to be caring for the poor and the people who work with the poor understand that very well.

Senator MOYNIHAN. Yes. All right. So there you go. We do have a problem of a public perception, "the blur," and maybe that will stay. But on the other hand, we know more now, and we can say with some confidence, "Not so."

We have talked about the population that lives in what we call "ghettos," urban ghettos, like Trenton. The best available data tell us that under 10 percent of the total AFDC caseload lives in the inner city, underclass conditions of the ghettos. It is a very seriously disadvantaged 10 percent, but it is just that; it is not 50 percent. If it were, we would be talking about something different.

Well, thank you very much. Thank you for your commitment, and thank you for your concern. Keep with us, now. Don't forget about us, and don't leave us. We are going to be trying to draft legislation, and we are going to want to hear what you think about it, Reverend Bergstrom, and the three groups that you represent so well. And, Ms. Ostrom, we do very much thank you.

Reverend BERGSTROM. Thank you, sir.

Senator MOYNIHAN. When you leave here, I want you to say you will come back, right? You aren't going to forget about us and go off to some other issue.

Reverend BERGSTROM. I would like to make a quick comment about the last part of your discussion.

Senator MOYNIHAN. Sir, please.

Reverend BERGSTROM. I think when we began back in the OEO programs, back in Wooster, Massachusetts, Community Action, beginning to let the poor be a part of the discussion, we began to hear better. I think most of the time we had sat in our churches and other places and decided "what they needed."

And I also want to correct any misconception that may have been given about the word "steamroller" a while ago. We were graciously heard by Senator Dole's committee and Senator Packwood's committee here, and in the House. The steamrolling that I felt was from the push that we had to make these cuts, and nothing personal.

Senator MOYNIHAN. Yes. I was here, and I am guilty as the next one. There are very few people whose reputation will emerge from the 1980's in hand.

Reverend BERGSTROM. Thank you.

Ms. OSTROM. One other comment, Senator. We have videotaped the hearings and produced a video documentary, and would be pleased to show to the staff. The videotape depicts the overwhelming needs of both the recipients and those who work with the recipients.

Senator MOYNIHAN. Good. Will you do that? Let me know.

Thank you very much.

We are now going to move to a panel. We have a group of very distinguished public advocates who represent organizations and research centers.

Rather than have each of the next five persons come alone to the table, since you are all interested and knowledgeable about these things, I am going to ask if you will come up together and you won't feel lonely. You know each other in most cases, anyway, and you can correct one another when they get things wrong.

We have Robert Greenstein, who is the Executive Director of the well-known Center on Budget and Policy Priorities. You were in the Carter Administration, I believe. Yes. There was one, and let us not forget that.

David Liederman. who is the Executive Director of the Child Welfare League of America, which I think is one of the oldest such organizations in our country. When were you founded?

Mr. LIEDERMAN. In 1920.

Senator MOYNIHAN. Yes. Like the Urban League, you are third generation now.

I am going to get that cable television turned around, so we can get all of you.

Dorothy Harris, who is the President of the National Association of Social Workers. We are very happy to have you.

Robert Fersh, who is the Executive Director of the Food Research Action Center.

And finally, Cynthia Marano, who was testifying on the House side last week when I arrived to follow you, the Executive Director of Wider Opportunities for Women.

We will just keep to our list. Mr. Greenstein?

[Reverend Bergstrom's written testimony follows:]

Statement of
The Rev. Charles V. Bergstrom, Executive Director
Lutheran Office for Governmental Affairs
Lutheran Council in the U.S.A.

on
Welfare Reform

submitted to the
Senate Committee on Finance
Subcommittee on Social Security and Family Policy

February 2, 1987

I appreciate the opportunity to comment this morning on the current welfare reform debate. The following Lutheran churches participate in the Lutheran Office for Governmental Affairs.

The American Lutheran Church, headquartered in Minneapolis, Minnesota, has 2.4 million members in 4,900 congregations;

The Lutheran Church in America, headquartered in New York, New York, has 3 million members in 6,100 congregations;

The Association of Evangelical Lutheran Churches, headquartered in St. Louis, Missouri, has 109,000 members in 273 congregations.

The Lutheran churches' testimony today grows out of a long standing concern for the well-being and dignity of *all* persons, especially those who live in poverty. The church, through our congregational soup kitchens and shelters, our social service agencies, jobs services, hospitals, and individual counseling and advocacy efforts, is confronted daily with the needs of the poor.

Out of the church's faith and experience in ministering to the poor, we believe that it is the Creator's will that *both* individual actions and corporate structures protect and enhance the dignity of *all* persons.

As Christians, we believe we have a basic responsibility to serve the needs of the poor. But at the same time, we believe that it is the proper function of the state, under God and in furtherance of justice, to promote the general welfare. Since humans do not always naturally and readily seek the good of their neighbor, the guarantee and enforcement of law is required. We believe that the Church and government are to interact creatively in the struggle to eliminate poverty.

The following general principles guide our approach to the issue of welfare reform:

**The poverty of millions of this nation's citizens is a continuing scandal which calls for both government and voluntary action.

**Justice demands that the needs of the poor be consistently met and their human dignity respected.

**Government, as the God-given means of enforcing the claims of economic justice, has among its responsibilities ensuring that all people have access to the minimum necessities which are prerequisites for full participation in society.

**Essential to the dignity of persons is the ability to work. Every able bodied adult should be afforded the opportunity for meaningful employment, sufficiently renumerative to secure, at the very least, the minimal necessities required in our society for living in decency and dignity.

During the 1980's, changes in federal welfare programs were made within the context of the federal budget debate. Attention has been focused on how to reduce government spending rather than how to make programs targeted to the poor more effective. And while the federal government significantly cut federal programs targeted to the poor, the church has witnessed a sharp increase in the number of hungry families standing in line at our soup kitchens; the church has witnessed growing numbers of homeless families--including men, women and children--sleeping on our congregations' floors. Our Omaha Pantry System alone experienced a 120% increase in emergency food needs between 1982 - 1985.

Thus, today we sincerely welcome the national debate on welfare reform as it provides the first opportunity in this decade to assess the strengths and weaknesses of our federal efforts to deal with poverty and to seek long-term changes on behalf of the poor in this country.

Responding to this opportunity, the Lutheran church launched a national educational campaign on the extent of poverty in the United States and the need for welfare reform entitled, "More Than Charity."

The center piece of the "More Than Charity" campaign included seven regional hearings on poverty and welfare reform held this past fall. Lutheran Bishops and other church officials heard testimony from a wide cross-section of people including: the poor, congregational volunteers, Lutheran social service staff, elected officials and governmental personnel.

The seven regional hearings were held in Hibbing, Minnesota; Omaha, Nebraska; Cleveland, Ohio; Wichita, Kansas; St. Louis, Missouri; Denver, Colorado; and Montgomery, Alabama.

And thus, it is on the basis of the Lutheran church's social statements on poverty and social welfare--informed by the recent testimony the Lutheran church has received from the poor and people working directly with the poor--that we submit the following comments on the current welfare reform debate.

1. Poverty is the primary problem, not the welfare system. The recent attention to our federal/state welfare system and the need for reform has focused on welfare client's dependency on the system. It is important to recognize a significant dependency factor within our current welfare system. And as we will state in a few moments, the current public assistance system has many inadequacies. However, it is essential to recognize that the problems of poor families are rooted in our economic and social systems, not the welfare system. Underlying economic and social factors are the heart of the problem.

2. "Reform or Replacement?" Ideally, we support a comprehensive overhaul of our current welfare system. We believe that a fundamental restructuring of the system is necessary to ensure that all people have access to the minimum necessities which are prerequisites for full participation in society. This includes a system which adequately deals with all individuals and whole families in need; a system which provides adequate employment opportunities or education/training to secure

employment; a system which provides help to the employed poor--in the form of residual aid--to allow the employed poor to maintain a decent standard of living; and a system that provides a decent standard of living for those who can not participate in our economic system.

But until the current system is replaced, it is essential that reform take place. Even alone, specific incremental reforms can significantly improve the system.

3. Adequate Employment -- Key to Battling Poverty. It is axiomatic to say that the best way out of poverty is a good job; the link between the economy and poverty is clear. But a tragic reality of our economy is a rate of unemployment which, although lower than at the depth of the recent recession, is still far above the 4 percent level mandated by the Humphrey-Hawkins Full Employment Act. Exacerbating this situation is the inadequacy of unemployment benefits for many workers who have lost their jobs. Another factor in the employment/self sufficiency equation is the economic system's reliance on jobs which do not pay wages sufficient for full time workers to pull themselves and their families out of poverty. The federal minimum wage has not been adjusted for inflation since 1979. Thus, a two parent working family of four can only earn 65% of the federal poverty line. For two million adults, working full-time at a minimum wage job means poverty for their families! The numbers of such employed poor families has increased dramatically since the late 1970's; two-parent working poor families have represented the fastest growing segment of the poverty population.

We therefore affirm and advocate:

**Government policies which reflect a fundamental commitment to reducing unemployment

**Raising the federal minimum wage, which has been severely eroded by inflation in recent years, and indexing it to prevent further erosion

**Providing supplementary support services, such as residual grants, child care and health care coverage to employed poor families on a gradually reducing basis to enable them to maintain a minimal living standard without providing a disincentive to work.

4. Welfare-to-Employment. There has recently been a great deal of discussion concerning welfare-to-work proposals. Currently, our welfare system punishes those who try to make changes in their lives. For example, the dollar-for-dollar reduction in a recipient's Aid to Families with Dependent Children grant from one's earnings punishes the recipient's drive and initiative to make ends meet or to get ahead economically. Similarly, when a welfare recipient receives an educational grant to further his or her education, the person's benefit is again decreased. Our current system makes it very difficult to get ahead economically.

Thus, we welcome the current discussion. We affirm the need to provide real opportunities within the welfare system to allow recipients to make the transition from welfare to employment--to begin to meet their own basic needs. But such a transition must be viewed as a social investment and not simply as a way to reduce the current welfare rolls. For the transition to be a social investment leading to long-term economic self-sufficiency, such a welfare-to-employment program must care for the following considerations:

a. Reciprocal Responsibility--It has again become important to emphasize that poor people have a responsibility to change their situation. We affirm that individuals have such a responsibility. We also affirm that society/human service agencies have a responsibility to provide or help individuals find avenues out of poverty. Reciprocal responsibility between clients and agencies is an important concept to recognize and fulfill.

b. Choice--A variety of options should be made available to welfare recipients including basic remedial education, higher education, family development education, job training, job readiness, and job placement. Based on individual assessments, agencies should help recipients choose that which will help the recipient move toward long term economic self-sufficiency.

c. Value Parenthood--Mothers and fathers of young children working at home to educate and raise their children provide a necessary and essential service to society. Society should recognize their work. If a parent on welfare would like to participate in an education/training program, full or part-time, he or she should have the opportunity to do so.

d. Job Creation--is an integral part of a successful welfare-to-employment program. Throughout many areas in the country there are simply not enough jobs available. It is cruel and inhumane to train people in anticipation of securing a job when adequate employment to meet basic human needs is often not available.

e. Support Services--are an integral part of a successful welfare-to-employment program. Support services such as adequate day care, health care, and transportation need to be available to recipients during their participation in the program. After employment is secured, support services should be viewed as residual aid.

5. Support. It will be necessary for those who are in transition from welfare-to-employment, as well as for many poor people who may always need assistance (for example, many aged, handicapped, and disabled persons), to provide benefits adequate to meet basic human needs and available to all those in need.

Again and again, throughout the seven regional hearings the Lutheran church held this fall on poverty and welfare reform, testimony reflected the fact that our current federal-state welfare system does not provide for the basic necessities of life.

The combined Aid to Families with Dependent Children and food stamp benefit is three/fourths the federal poverty line in 40 states. Throughout the hearings, recipients and congregational volunteers noted that food stamps last only two weeks of the month. Our church food pantries are rapidly becoming a primary source of food rather than an emergency source. Many church pantries testified that they can not keep up with the increased demand for food and are turning needy families away.

In addition, there is presently not enough low-income affordable housing available. Testimony described waiting lists--up to 2,000 people long with a 4 - 5 year waiting period. Our congregations describe the housing of more and more families with children on their floors at night. And many of these families living in church basements are employed.

We therefore affirm and advocate:

a. It is the role of the federal government to ensure that benefits are adequate to provide for basic human needs including income, nutrition, shelter, health care.

b. The elimination of categories in social welfare programs and the establishment of a single criteria of financial need. All in need should have access to support.

We encourage the committee to seriously study the American Public Welfare Association's proposed nationally-mandated, state-specific "family living standard." It is one comprehensive welfare reform proposal that could ensure that basic needs are met--based on a realistic assessment of the actual cost of living in various areas.

In the interim, we affirm and advocate:

a. A federal minimum benefit standard for the Aid to Families with Dependent Children program--which currently allows many states to provide benefits to destitute families far below their own standards of need. This national standard should be indexed to inflation.

b. The expansion to all states of the AFDC-Unemployed Parent program. It is appropriate to encourage family stability by requiring all states to make two-parent families with unemployed wage earners eligible to receive benefits, if they meet other AFDC eligibility requirements. The AFDC-UP program should also be extended to families where one parent is involved in an education or job training program--thus encouraging young families to stay together.

6. Administrative Reforms: The system that seeks to aid the poor often creates greater hardship for the poor. Many recipients testified to the emotional and psychological abuse the system had placed on them. The impersonal treatment, lack of compassion and a lack of information about services already available--can be alleviated somewhat by hiring more caseworkers. Other administrative reforms include streamlining regulations, providing for a central location for all services, and an information/outreach center.

7. Poverty Prevention: An Investment in Poor Children

Attention to reforming our welfare system can not ignore the necessary investment we need to make today in our poor children and their families in order to prevent the poverty of tomorrow. Keeping poor children healthy and equipping them for full participation in society is key to breaking the cycle of poverty.

Programs with a strong record of effectiveness in this area include: the Headstart comprehensive preschool program for low income children, the supplemental feeding program for Women, Infants and Children (WIC), compensatory education, child nutrition, Maternal and Child Health and Medicaid. Although these programs have proven track records, most are inadequately funded and thus can not provide for all those women and children who are eligible. These programs are investments in the future of our children--and warrant continued strong and adequate support.

In addition, our basic education system continues to produce people without adequate basic skills needed to survive in our culture. Renewed attention to strengthening our basic education system and a concentrated effort to reduce high-school drop-out rates is necessary.

In Summary:

As we debate how best to reform our current federal-state public assistance system, the following questions can help judge various incremental or comprehensive reform proposals:

1. Does the system adequately meet the basic human needs of the poor including income, nutrition, shelter, and health care?

2. Is the system accessible to all those in need?

3. Does the system support family stability and value parenthood?

4. Does the system encourage long term economic self-sufficiency and adequately provide transitional assistance?

It will continue to be important to remember that reforming our welfare system can not take place in a vacuum. Battling poverty must be our primary objective. We must battle our nation's current unemployment rate and below the poverty line minimum wage in order to provide real economic self-sufficiency to more of our citizens. We must battle poor education, poor nutrition, poor health, and poor housing. Both the church and the government have an obligation to battle the poverty we are confronted with daily. We all have an obligation to invest today in the futures of our poor children and their families and thus in the future of our nation.

STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **Greenstein**. Thank you, Mr. Chairman.

Mr. Chairman, I would like to thank you for the opportunity to be here, and to congratulate you for reinvigorating the welfare debate. You have focused attention not just on welfare mothers but on the children of these families as well, and broadened the debate beyond the welfare system to encompass child support, employment, wage supplementation, and health care.

One of the reasons welfare reform foundered in the past was that it concentrated largely on welfare program changes. It is becoming increasingly clear now that much progress can be made through a coordinated series of largely non-welfare approaches.

In the child support area, there should be little disagreement that more needs to be done; the statistics which you and others have been citing are a national disgrace.

For some time I have been an enthusiast for the Wisconsin title system of the child support assurance system, with the three basic elements, as you know, of automatically setting awards at a fixed percentage of income; automatically withholding the award from the absent parent's wages and then providing an assurance level if the award is less than an adequate level of support.

While the actual impacts of the Wisconsin system aren't known yet, there is potential for a significant breakthrough here. It holds the promise of reducing poverty among children by controlling costs, because much of the additional funding ideally would come from the absent parent. In addition, it should strengthen incentives for work, because we wouldn't have to reduce a dollar in child support for each dollar of earnings received. It might even have an impact—we don't know this, but it might—illegitimacy if young men are faced with the possibility of having automatic wage withholding for 18 years.

Despite my enthusiasm for this approach, there are some questions I think we need to consider carefully.

We don't have too much data yet from Wisconsin but from the little we have thus far, the predominate impression is that the results are positive but relatively modest. In areas such as increased awards and collections so far, the initial results don't appear to be of quite the magnitude that the designers had hoped. I don't think this suggests at all that we shouldn't pursue the system, but rather that we need to see it, as you have, as one element of a series of approaches and not as the entire answer by itself.

Second, as I understand the Wisconsin system, it applies to families that have child support awards; many on AFDC do not have awards if the father can't be located, if paternity isn't established, and so forth. While we clearly need to structure the system to do more to encourage establishment of paternity, there will always be a significant number of the poor who don't have awards. If the system is to be adopted nationally we will need to either maintain AFDC for those families without awards or to include them in the child support assurance system and provide them with insurance payments, despite the fact that they don't have an award.

The duration of child support insurance payments is another area I think we need to think through carefully. I am a little concerned about some of the suggestions for the assurance payment to be time-limited, which I think is not the way it is structured in Wisconsin. A time limit I think might well be appropriate if a reform system was established that had a guaranteed job of last resort to those who had exhausted child support insurance payments but met all work requirements and still didn't have jobs. If we don't have a guaranteed job at the end of the line and we do have training in employment, some people will be without jobs, and they will need either to continue receiving an assurance payment or to receive some sort of benefit in another form.

Finally, there is the question of children in poor two-parent families as well. Clearly, if one of our goals is to emphasize parental responsibility for support, we don't want to penalize children whose parents are doing that by staying together. We don't want to create a system in which poor children in two-parent families are poorer than those in single-parent families who get an assurance payment. So, I think we want to make sure we cover them on an equal basis, both in terms of assurance payments and work and training opportunities.

I would add that that is even more important now than a few years ago due to the major contraction in unemployment insurance, which only covers a third of the unemployed in the average month. The most severe erosion in recent years has not been in AFDC or food stamps, it has been in unemployment insurance. We now have large numbers of two-parent families who receive neither public assistance nor unemployment insurance.

I think we would also want to look at what I would regard as archaic provisions, or anti-family and anti-work provisions. One example is the hundred hour rule that encumbers the current AFDC-UP people by saying that, "If you work more than 100 hours and if you are still below the AFDC standards and income cutoffs, you don't receive benefits," whereas another two-parent family that works less than 100 hours or a single-parent family who works more than 100 hours still get benefits. That does not seem to be a very desirable approach to promoting work for in-tact families.

The child support system is one major area. Clearly, another major area around which consensus is developing is the work and welfare area. My one concern here is with some of those—and, again, I note the Chairman is in a very different place—who seem to think that work is the whole answer, all we need to do.

Employment is an important part of the approach, but not the whole answer. As you may know, the latest MDRC results show that the state work and welfare programs produce a gain in employment rate of three to eight percentage points because so many of these people are short-termers who get jobs on their own.

In addition, the MDRC results find that in states with AFDC-UP, work and welfare programs have generated little or no gain for men in these programs beyond what they would otherwise find on their own. And a recent MDRC evaluation of West Virginia's program found that even welfare mothers had no gains there because of the state's weak economy and lack of jobs. In rural and other areas with high rates of joblessness and no jobs, we really can't expect that there is going to be a major impact in employment rates from these programs.

Now, in looking further at how to structure work and welfare programs, I would like to comment briefly on a couple of issues.

One, as you have noted, is the part-time/full-time work issue. We hear a great deal about the fact of the growing of women in the workforce. David Ellwood of Harvard and Douglas Besharov of AEI have noted that, while most mothers with children now work outside the home, most do not work full-time, year-round. As Besharov has noted from BLS statistics, 62 percent of married mothers with children are now in the labor force, but only 29 percent work full-time, year-round.

Senator Moynihan. That is Besharov?

Mr. Greenstein. That is Besharov, based on the BLS data.

Ellwood, using PSID data, has also raised another interesting point. He said that perhaps the most appropriate people to use as a standard in setting work expectations for welfare mothers are wives in non-welfare families who would be poor if the wife didn't work, but where she does work and the family is raised up above poverty. If these wives can work, the reasoning goes, so can AFDC mothers.

Looking at the PSID data, Ellwood has found that only one in three of those wives work 30 hours a week or more, on average, throughout the year. It is, again, part of the same issue that in many cases we might want to explore the possibilitity of part-time work provisions and requirements rather than full-time.

A related issue, of course, is how to deal with mothers of children under the age of six. The current system doesn't work very well here. On the one hand, these women are exempted from work the requirements, and, on the other hand, what states in most cases do, as a result, is to make no effort to recruit or encourage or serve them.

Clearly we know that this is a very important group to reach. It seems to me that the choices are not limited either to excluding these women from the programs or requiring that they participate and cutting off their benefits if they don't. There is another approach that could be explored: Making them, with appropriate incentives for states, a very high priority group to reach, and strongly encouraging their participation without going so far as to cut them off if they remain at home with their children. This approach rarely has been tried; it is usually "exempt and ignore them, or lower the age limit and cover them unless there are sanctions." We might want to at least try some demonstrations where a great priority is placed on recruiting these mothers short of a sanction, and seeing if that works.

A final point in the work-and-welfare area relates to the issue of long-term versus short-term and the issue of 'creaming.' Perhaps the most important lesson we can learn from work-and-welfare experiments to date is the importance of avoiding creaming. One of the most positive aspects of the MDRC results is that the system's greatest impacts, relative to what people would do on their own, are with people who have greater barriers to employment.

As you know, of those who ever go on welfare, half leave within two years, only a sixth stay on for eight years or more, but at any point in time they are more than half of those on the rolls and more than half of the costs. These are the people, when you combine that statistic with the MDRC findings, on whom we have the greatest impact, the ones with greater barriers to employment. What this data suggests is that it would not be advisable to spread large portions of limited resources over the mass of short-term recipients who ever come off the program if doing so means that we don't have enough resources left to provide the more intensive and usually more expensive services needed by the long-termers or those in categories who are likely to become long-termers, those who need those services in order to break their employment barriers and leave welfare rolls.

I think in designing whatever performance standards you may have in legislation, you need to be very careful to not put in the kinds of job-placement and participation standards that encourage creaming and discourage the focus on the hard-to-employ.

The final area I would mention regards the working poor. Our current public policy has the effect of making the economic conditions faced by those who work harsher and further impoverishing them. Work may come to seem less attractive as a way out of poverty for the non-working poor, and especially those in the underclass.

But the working poor population has burgeoned in recent years. The number of working-age individuals who are below the poverty line but work full-time, year-round, has grown by more than 50 percent since 1978. Approximately 2.5 million poor children are now in a family with a full-time full-year worker.

Today, although Tax Reform was a step forward, these families still face such problems as wages that leave them far below the poverty line, and below welfare-benefit levels as well for large families, and lack of health care coverage and affordable childcare as a result.

My hope would be that a strategy which emphasizes child support and work rather than welfare has as a critical third component efforts to assist the working poor.

The most important issue I would recommend along that line deals with adjusting the earned income tax credit by family size. For a family of two today, full-time year-round work at the minimum wage will almost lift them to the poverty line. For a family of three, full-time full-year work at the minimum wage leaves them more than $2,000 below that line. For a family of four they still fall more than $4,000 below.

The poverty line is adjusted by family size, welfare benefits are adjusted by family size, child support payments would be adjusted because they would be based on the number of children, but wages are not. As a result, trying to move families from either welfare or child-support assurance payments to employment creates a serious problem for large families who can be significantly worse off if they go to work.

This is added to by our treatment of the payroll tax in the Tax Code, even after the Tax Reform Bill. If you look at where we are now with small families with children, i.e., with a family of two, if they are at the poverty line now with earnings, we have now offset most of their Social Security payroll tax. But if they are a large family, we have offset very little of their Social Security payroll tax, because the EITC is not adjusted by family size.

Doing so, I think, would be one of the most beneficial things we could do in encouraging work and self-sufficiency.

I will wrap up quickly.

There would be three effects of a family size adjustment of the EITC. It would bring working poor families with several children closer to the poverty line; it would reduce or possibly even eliminate the problem of having welfare or child-support assurance benefits be more remunerative than working for large families; and it would provide for a more equal tax treatment of large and small families with children.

You have spoken in recent weeks, Mr. Chairman, of a consensus. Consider the following consensus among those who have expressed support in recent months for adjusting the EITC by family size: The White House in its domestic task force report on families, authored by Gary Bauer; the Heritage Foundation; AEI tax expert Gene Steuerle, who was Director of Tax Analysis at Treasury when we started tax reform; Bob Reischauer of the Brookings Institution; the Children's Defense Fund; the Social Policy Task Force of the House Democratic Caucus; and most of the recent welfare-reform reports.

I would note that my own interest in this area was piqued after reading the Godkin Lectures, which seemed to me to lead right to the concept of adjusting the earned income tax credit by family size.

Let me stop there, except to make one final note of another area where I hope we might have a consensus developing: I recently read a speech to the Tax Foundation by Senator Domenici, in which he talked of the importance of finding resources to meet unmet needs. He spoke of national needs that are compelling and need new resources and identified welfare—meaning this whole broad series of areas—as one of the unmet needs and talked of a nation not meeting its social and moral responsibility in new-problem areas, stating that, "The most pressing in my mind is the seemless web of poverty, homelessness, hunger and mental illness." He called for finding the resources to address these problems by trimming back on other less critical areas.

So, I would hope that what appears to be an emerging consensus in several areas of welfare reform is also matched by a new consensus among conservatives and liberals, Democrats and Republicans, that we need to follow this call Senator Domenici made to find the new resources needed to address unacceptable levels of poverty among children and to make reductions in other less critical areas to free up the finances to pay for it.

Thank you.

Senator MOYNIHAN. That was a formidable presentation. Can you imagine President Carter having to have this fellow get into the Oval Office and tell him what to do about nutrition?

Hey, thank you very much. I am going to wait until all have spoken for questions. I hope you don't hesitate to comment on your colleagues as we go along, but I would quickly make the point that, with respect to these families with children under six, and the idea of incentives without mandates, you are absolutely right. Either they are ignored completely or people are negative about them. We would like to hear more specifics; if you have more writing on the subject, maybe you could share it with us.

The other thing is to say that we all understand—do we not?—that the observed results of social experiments are, with a high order of probability, that "the larger and more important the study, of less consequence will be the seeming results." That may be an artifact of research methodology. Peter Rossi writes a long book that I can't understand on the subject.

Mr. Liederman, we welcome you, sir, and the testimony of the Child Welfare League of America.

[Mr. Greenstein's written testimony follows:]

STATEMENT OF ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET POLICY AND PRIORITIES
before the
SENATE FINANCE COMMITTEE
February 2, 1987

I appreciate the opportunity to testify here today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, which is a non-profit research and analysis organization that focuses on public policies affecting low income Americans. (I also was a member of the advisory panel for the "Ladders Out of Poverty" report of the Project on the Welfare of Families, chaired by Bruce Babbitt and Arthur Flemming.)

Before addressing specific welfare reform issues, I would like to congratulate the Chairman for reinvigorating the welfare debate in just a few short weeks. You have focused attention not just on welfare mothers but on the children in these families as well, and have broadened the debate beyond the welfare system to encompass child support, employment, wage supplementation, and health care. One of the reasons welfare reform foundered in the past is that it concentrated largely on welfare program approaches. By contrast, it is now increasingly clear that much progress can be made through a coordinated series of largely non-welfare approaches.

I. CHILD SUPPORT

There should be little disagreement that much more needs to be done in the area of child support. The statistics on the percentage of single parent families that have no child support award -- or that have an award but do not receive the support they are due -- are a national disgrace. New and tougher approaches in this area are warranted.

For some time I have been an enthusiast of the child support assurance system being piloted in the State of Wisconsin. The Wisconsin system consists of three basic elements.

-- First, child support awards are automatically set at a fixed percent of the absent parent's income, unless a court specifically provides for an alternative award level. The percentages vary according to the number of children in question, equalling 17% of the absent parent's earnings for the first child, 25% for two children, 29% for three children, etc.

-- Second, these child support awards are automatically withheld from the absent parent's wages. No finding of delinquency must first be made.

-- Third, the awards so collected are provided to the custodial parent and, if the awards fall below a specified "assurance" level, the state makes up the difference.

While the actual impacts of implementing the "Wisconsin system" are not yet known (some aspects of it will only begin to be piloted this summer), there is a potential for a significant breakthrough here. This approach holds the promise of reducing poverty among children while controlling government costs, since much of the additional funding needed to reduce the impoverishment of these children would come from the children's absent parents. Moreover, this approach should, hopefully, be free of some of the demeaning stigma often associated with welfare receipt. In addition, this approach should strengthen incentives for the custodial parent to go to work. While the mother now loses a dollar in welfare benefits for each additional dollar she earns (after the fourth month on the job), she would presumably not lose a dollar in child support for each additional dollar she earns.

Moreover, it is conceivable that this approach might even help reduce out-of-wedlock births and strengthen families. It is possible that young men who know that a portion of their wages will be automatically withheld for 18 years if they father a child without marrying the mother will be compelled to consider more carefully the consequences of their actions. This approach sends a clear message that fathers who abandon their children will have a harder time evading their financial responsibilities.

Despite my enthusiasm for this approach, however, there are some questions about it that need to be considered. We do not know that much yet about how this system will work in practice. The areas warranting further consideration include the following:

- While we do not have much data yet from Wisconsin and there are problems with interpretation of the limited data we do have (due to problems at some "control sites"), the predominant impression that emerges from the data available so far is that the achievements of the system are positive, but have been relatively modest. It is my understanding that in areas such as increased child support awards, increased collections, increases in establishment of paternity, etc. the initial results do not appear to be of the magnitude that program designers had expected. This does not suggest that we should not pursue this approach, but rather that a move to something like the Wisconsin system should be viewed as one component of a series of changes needed in a redesigned system to improve self-sufficiency and reduce poverty among low income children and their families. The Wisconsin child support system may prove a major step in the right direction, but it cannot accomplish the entire job by itself.

- Second, as I understand the Wisconsin system, it applies to those families that have child support awards. Many on AFDC have no awards, however. In many cases, the father can't be located, paternity has not been established, etc. While we should attempt to structure the system so as to increase the number of families who do have child support awards, a substantial number of families will remain without awards. In Wisconsin, as I understand it, these families stay on AFDC.

  If this system is to be adopted at the national level, we will need either to maintain AFDC for these families or to include them in the child support assurance system despite the fact that they lack an award, and to provide them with assurance payments.

- Third, as the Chairman has noted, the issue of health care coverage will need to be addressed. We should avoid a system in which those not getting child support payments are covered by Medicaid, while those receiving child support but remaining poor are not. This is what happens in many states today -- a family that receives child support payments which brings its income modestly over AFDC income cut-offs gets no Medicaid coverage. In some cases today, this mother and her children are better off if their child support ends and the family goes on AFDC and Medicaid.

If we are talking about a major shift in policy to assist large numbers of families through a child support system rather than through welfare, then we must resolve the Medicaid issue. Otherwise, the rest of the scheme may founder.

- The duration of child support assurance payments (in cases where the payment from the absent parent still leaves the family with a very low income) is another area warranting careful consideration. I am concerned by the suggestion that has been made that the assurance payment might be time-limited -- and terminated after a few years. As I understand the Wisconsin system, there is no time limitation on the assurance payments there.

  A time limitation may be appropriate if the reformed system that is established provides a guaranteed job of last resort to those who have exhausted their child support assurance payments and have met requirements to participate in work and training programs -- but have not found jobs. However, if the reformed system does not provide such a job guarantee and focuses on provision of education, training skills, work experience, etc., then significant numbers of poor families are likely to be without employment when their child support assurance payments end. They thus will still have a need for some sort of benefit at that time.

  I am also concerned about those who find jobs that leave them thousands of dollars below the poverty line (because the jobs are part-time, pay low wages, or both). Here, too, a cut-off of a child support assurance payment after a specified period of time could cause substantial hardship, unless it is replaced by a benefit or payment of another sort.

- So far I have been focusing on children in single-parent families. We obviously need to be concerned about children in poor, two-parent families as well. If one of our goals is to have parents assume responsibility for supporting their children, we must be careful not to penalize children whose parents meet that responsibility by staying together. We must not create a system in which low income children in two-parent families are poorer than children in single-parent families, because the children in single-parent families receive child support assurance payments while children in intact families do not.

  This entails ensuring that two-parent families are covered on an equal basis with regard both to the assurance payments and also to job and training opportunities. An intact family that is complying with whatever work requirements are prescribed, but still remains poor, should be brought up to the same assurance level that a single-parent family of the same size receives through the child support system.*

Moreover, the new system should endeavor to avoid the anti-work and anti-family features that encumber the current AFDC-UP program. Under the UP program, a two-parent family is ineligible for assistance if the parent who is the principal wage-earner (usually the father) works more than 100 hours a month. If a father increases his work hours to more than 100 hours, but the family is still below the AFDC income limits, the family is cut off AFDC (and ultimately off Medicaid as well in most states). Yet a single-parent family with the same income -- as well as another two-parent family that has the same income but works fewer hours -- continue to receive benefits. To encourage work and family stability, such restrictions as the 100-hour rule should be avoided under a new system.

- Finally, there would need to be national standards set for the child support assurance levels. We need to avoid assurance levels that are marked by the same vast disparities that characterize state AFDC benefit levels today.

Landmark research by Mary Jo Bane and David Ellwood of Harvard has shown that low state welfare benefit levels do not reduce out-of-wedlock births or produce desired changes in family structure. As Ellwood observes, by having AFDC benefit levels that vary so widely across states, the nation has effectively conducted a massive social experiment to determine whether low benefit levels generate social gains. After studying the evidence, Ellwood concludes that the experiment demonstrates that such gains are not produced, and that the main effects of the wide disparities in benefits is greater impoverishment of children in low benefit jurisdictions.

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*Providing equal coverage and treatment of poor two-parent families is important for another reason as well. It is needed to help plug a hole in the safety net that has widened as a result of severe contraction in the unemployment insurance program in recent years.

In 1985 and 1986, just 33 percent of the unemployed received unemployment insurance benefits in the average month, the lowest coverage rate ever recorded. Expenditures for unemployment insurance benefits were approximately 50 percent lower in 1986 than in 1976 (measured in constant dollars), while the number of unemployed persons was greater in 1986 than it had been a decade earlier. The number of jobless workers receiving no unemployment benefits each month averaged 5.6 million in 1986, nearly as many as at the trough of the recession in late 1982, when the unemployment rate hit 10.7 percent. In short, for many unemployed two-parent families in states that exclude two-parent families from AFDC, neither unemployment insurance nor cash assistance is now available, leaving some of these families in rather desperate straits.

II. WORK AND WELFARE

If there is a developing consensus around the desirability of greater emphasis on child support, there is even more of a consensus on the desirability of approaches to help place AFDC mothers in jobs. The feasibility of efforts to improve the employability of welfare recipients has been documented by state work-and-welfare demonstrations evaluated by the Manpower Demonstration Research Corporation (MDRC).

In this area, I believe we should be guided by the lessons that emerge from MDRC's findings. Among the key lessons seem to be the following.

Well-designed work-and-welfare programs yield positive results and are worth undertaking. However, we should be careful not to "oversell" what these programs, by themselves, can achieve. The improvements they produce are significant, but modest. Many welfare recipients are short-term recipients (about half of all recipients who go on welfare leave the rolls within two years); and MDRC's studies show that many people who go through work-and-welfare programs would find jobs on their own even if the programs did not exist. The most important test of the effectiveness of work and training programs, MDRC has taught, is not the number of recipients who go through the programs and then find jobs, but rather the number finding jobs who would not otherwise have found jobs on their own (or who would not have found as good jobs on their own or found jobs quite as quickly).

The MDRC results show that in successful programs studied, employment rates among AFDC mothers are three to eight percentage points higher than would be the case in the absence of the programs. An employment gain of three to eight percentage points makes such programs worth doing. But the moderate nature of these gains should be kept in mind.

Moreover, the three to eight percentage point gain does not apply to the entire adult welfare population. Of those welfare mothers who are both subject to a work requirement and reside in an area where a work-and-welfare program is in operation (which usually excludes rural areas with high unemployment and few job opportunities), employment rates are about three to eight percentage points higher than in the absence of the program. Thus, the programs boost employment for three to eight percent of a group that is itself a portion of the adult welfare population, and at a time when the total adult welfare population constitutes less than one-fourth of the non-elderly adult poverty population. Jobless young men are rarely affected by these programs, since they generally are not on welfare in the first place. Moreover, in states providing welfare to unemployed men in poor two-parent families, work-and-welfare programs have generated little or no gains in their employment beyond the jobs these men find on their own.*

In the San Diego work-and-welfare program, an often-cited example of a highly successful program, the proportion of AFDC applicants who were enrolled in the program and then went to work (even if only briefly) was 61 percent, which sounds outstanding. But the proportion of the applicants placed in a "control group" (i.e., not enrolled in the work-and-welfare program) who then went out and found jobs was 55 percent. The employment gain due to the program was six percentage points. Moreover, there were no significant employment gains for men in the San Diego program, a common finding in the MDRC evaluations. A recent MDRC report on West Virginia's program found that the work-and-welfare program produced no employment or earnings gains in that state, even for welfare mothers. As MDRC noted, program planners in West Virginia did not expect significant gains, due to the state's weak economy and lack of jobs. The findings show, MDRC observed, "the limited role that [the program] is likely to play in improving the employment prospects of welfare mothers in a rural environment with high rates of joblessness."

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*Part of the reason for widespread misconceptions about the extent of the accomplishments of these programs is that some states have released very impressive figures about the number of people who have been served by the programs and then landed jobs. Such figures do not tell us much about the impact of a program, however, unless we know how many of these jobs were due to the program as distinguished from the jobs that recipients would have found in any case on their own.

Judith Gueron, MDRC's president, has cautioned that work-and-welfare initiatives should be neither glamorized and oversold, nor dismissed because the results appear small. In a forthcoming paper she states:

> "For those accustomed to grandiose claims for social programs, the outcomes for these initiatives...may look small. With gains that are not dramatic and only limited savings, the programs do not offer a cure for poverty or a short-cut to balancing the budget....In the past, social programs have been oversold and then discredited when they failed to cure problems. In contrast, these findings provide a timely warning that the state work/welfare mandates will be no panacea, but can provide meaningful improvement....The modest nature of the improvements also indicates that welfare employment obligations can be only part of a 'solution' to poverty. Other reforms -- e.g., changes in the tax laws and expansion of the Earned Income Tax Credit to increase the rewards for work, educational reforms, training and retraining, increased child-support enforcement efforts, and job creation programs -- are important complements if welfare is not only to be made more politically acceptable, but also to succeed in reducing poverty substantially."

Work and family responsibilities

In designing work-and-welfare programs, one important set of issues that needs to be addressed concerns requirements for full-time versus part-time work and for mothers with children under six as distinguished from mothers with older children.

David Ellwood of Harvard and Douglas Besharov of the American Enterprise Institute have noted that while most mothers with children now work outside the home, most mothers do not work full-time year-round. Besharov notes that some 62 percent of married mothers with children are now in the labor force, but only 29 percent, or fewer than one in three, work full-time year-round.

A common rationale for the imposition of work requirements on AFDC mothers is that other mothers are working and welfare mothers should therefore be expected to do so too. However, these data raise important questions about whether AFDC mothers should realistically be expected to work full-time and sanctioned if they do not.

As Ellwood notes, perhaps the most appropriate people to use as a standard in setting reasonable work expectations for welfare mothers are wives in non-welfare families that would be poor if the wife did not work, but in which the wife does work and thereby increases her family's income. If these wives can work, the reasoning goes, so can AFDC mothers.

Yet Ellwood has found that only about one in three of these wives works 30 hours a week or more on average throughout the year. If these married mothers generally do not work full time, year round, can a single AFDC mother be expected to do so when there is no other parent to share child-rearing, shopping, and housekeeping responsibilities? This question has been absent from policy debates in the past; it deserves to be addressed.

What needs to be considered, therefore, are requirements on some AFDC recipients for part-time rather than full-time work or for part-time employment and training activities. I would note that the Chairman has raised the possibility of part-time work requirements in several of his recent statements.

A related issue -- whether to impose requirements on mothers with children under six -- also needs a fresh look. Up until now, mothers with children under six have been exempt from work requirements, and many states have failed to make employment and training opportunities available to them. This approach is now coming under criticism, as it becomes apparent that some mothers with young children (such as young, never-married mothers) are among those most needing employment-related assistance.

The choices are not limited, however, either to excluding these mothers from the programs or to requiring that they participate and cutting off their benefits if they do not. Another approach is also available -- making these mothers a high priority group to reach and recruit and strongly encouraging their participation, without going so far as to cut off their benefits if they remain home with their children. This approach has rarely been tried -- in most states, exempting these women from a mandatory requirement has also meant making little or no effort to enroll them in employment services. This need not be the case. The policy debate here should not be restricted to the two more extreme alternatives that are sometimes posed as the only choices. Moreover, it makes sense to try approaches under which intensive efforts are made to recruit these mothers into employment and training programs, before the more draconian step is taken of enacting legislation to terminate their benefits if they wish to care for their young children.

Targeting for greatest effect

A final set of issues regarding design of work-and-welfare programs involves how to structure these programs to make optimal use of the resources available and have the greatest impact on reducing welfare dependency.

In theory, it might be desirable to provide various employment and training services to all welfare recipients (except for those exempt for reasons such as disability, care of young children, etc.). In practice, however, the available resources are not likely to be enough to provide such services to everyone. Consequently, careful choices will need to be made.

In this vein, it is important to apply what has been learned to date from evaluations of state programs. One of the most important lessons at this point is that greater efforts need to be made to avoid "creaming" (concentrating services on the most employable persons) and more emphasis placed on reaching those with greater barriers to employment.

One shortcoming of many past employment and training efforts has been a tendency to provide training and other job-related services to those who have the least serious barriers to employment and are most likely to find jobs on their own regardless of whether services are provided. While this enables program managers to claim a larger number of "job placements," it is generally not the best use of public resources.

One of the key findings of the MDRC research is that work-and-welfare programs seem to be most cost-effective with those recipients who have greater barriers to employment. These individuals tend to stay on welfare longer and require a disproportionate share of public assistance funds. Consequently, helping these persons leave public assistance rolls has more of an impact on public assistance costs and on reducing long-term dependency than providing job-related services to those who will find their own way off welfare after a relatively short period on the rolls.

This distinction is made even more significant by data on the dynamics of welfare receipt. Of those families who ever go on welfare, half leave the rolls within two years and only one-sixth stay on the rolls consecutively for eight years or longer. Yet at any single point in time, more than half of those on the rolls are long-term recipients, and these families account for more than half of AFDC benefit costs.*

These statistics, along with MDRC findings of greater cost-effectiveness for those with more serious employment barriers, underscore the need to allocate work-and-welfare resources prudently. It would seem inadvisable to spread large portions of the available resources over the mass of short-term recipients who will leave AFDC rather quickly anyway, who do not have as great barriers to self-sufficiency, and who account for a minority of total program costs. Doing so runs the risk of leaving insufficient resources available for those longer-term recipients (and those categories of recipients most likely to become long-termers) who have greater barriers to employment and are likely to need more intensive (and, generally, more expensive) services to overcome these barriers. As a result, ensuring that sufficient resources are targeted on those who have greater barriers to employment and may need more intensive treatments makes sense from both a fiscal and a human standpoint.

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*Some of those who leave AFDC rolls later go back on welfare. In most of these cases, a family leaves welfare and achieves a measure of self-sufficiency, but then moves back to welfare after a separation, divorce, or earnings decline. David Ellwood has examined the total amount of time a family spends on AFDC, including circumstances in which a family's time on the rolls consists of more than one spell on the program. He has found that half of those who ever receive AFDC will receive it for four years or less, but that 24 percent will eventually use it for ten or more years. Of those on AFDC at any period in time, close to 60 percent will receive welfare for at least 10 years.

Indeed, it is possible that some of the less intensive employment and training strategies may turn out to have primarily short-term effects while the impacts of some of the more intensive programs may grow over time, (although data to reach a conclusion on this matter are not currently available). Less intensive programs such as unassisted job search, for example, may have impacts that are largely short-lived, with the programs speeding up job-finding, but not having as significant an effect on the overall number of people who eventually find jobs. If this turns out to be the case, it may suggest that such programs have relatively little impact on long-term dependency, although there will still be the positive effects of helping some recipients find jobs faster or find jobs paying somewhat better wages.

This issue is especially significant; despite a general consensus that states should be given broad flexibility in designing work-and-welfare programs, the fact is that federal legislation in this area is likely to include some sort of performance standards. Such standards are likely to exert a strong influence on state decisions regarding what types of work and training programs to run. The decisions made regarding the nature of the federal standards can thus enhance or detract from the quality of state efforts.

As a result, the legislation needs to be designed with great care. Standards based solely or primarily on the numbers or percentages of recipients enrolled in work-and-welfare programs -- or on the number who go through these programs and then find jobs -- can result in misdirected incentives to spread services too thin and to engage in creaming. Such standards are likely to take what are modest, though important, gains from these programs and make the gains still smaller.

Provisions affecting the types of work-and-welfare activities that can be supported with federal funds are also of considerable importance. For example, there is growing evidence that deficits in basic skills on the part of many low income individuals are directly linked to increased welfare dependency, higher rates of unemployment, teen-age pregnancy, school dropout, and crime. Many AFDC recipients have such low levels of education and basic skills that they may have more difficulty finding jobs, in keeping jobs for extended periods of time when they do find them, and in progressing beyond entry level jobs paying sub-poverty level wages. Building basic skills components into work-and-welfare programs may be especially important for some of those with the most serious employment barriers.

III. OTHER KEY ISSUES: THE WORKING POOR

Another critical area where consensus has been growing is the need to alter the thrust of public policies toward the working poor. If one of our principal goals is to help more of the poor become self-sufficient and work their way out of poverty, then incentives and disincentives placed in the path of the working poor take on added significance. If public policy has the effect of making harsher the economic conditions faced by the working poor and of further impoverishing this group, then work may come to seem less attractive as a "way out" to the non-working poor and especially to those in what is popular called the "underclass."

Unfortunately, the number of Americans who work but are still poor has burgeoned in recent years. The number of prime working age individuals who work full-time full-year but are still below the poverty line has grown more than 50% since 1978. There are approximately 2.5 million poor children who live in a family where a wage-earner works full-time year-round. The proportion of the poverty population that works during the year is now at an all time high.

The circumstances of the working poor thus demand renewed attention. Too often a parent faces a choice between a minimum wage or other low wage job that provides no health care or child care benefits and public assistance benefits which bring Medicaid coverage along with them. For many parents, including responsible parents genuinely concerned about their children, this choice is not always easy.

The Congress and the President last year took an important step to ease the burdens of the working poor when they passed the tax reform bill. But while the tax reform bill removed working poor families from the federal income tax rolls, it did not address such problems as wages that leave families far below the poverty line (and below welfare benefit levels as well, where large families are concerned) and the lack of health care coverage or affordable child care services for many of these families. As a result, a strategy that emphasizes child support and work -- rather than welfare -- should include, as a critical third component, steps to better the lot of working poor families. I would specifically recommend consideration of the following measures.

Adjust the EITC by Family Size

For a family of two today, full-time year-round work at the minimum wage will almost lift the family to the poverty line. But for a family of three with a full-time minimum wage worker, earnings fall more than $2,000 below the poverty line. For a family of four, the gap exceeds $4,000.

The poverty line is adjusted for family size, as it should be. Welfare benefits are adjusted for family size as well. Effectively, the child support assurance payments in Wisconsin also are adjusted, because they are based on the number of children in a family. But wages are not adjusted by family size. As a result, trying to move families from welfare or child support assurance payments to employment creates a serious problem for large families. They may be far worse off if they work at a low wage job, and their children may be pushed deeper into poverty.

This differential treatment of large and small families is compounded by the federal tax code, even after tax reform. For small families with earnings at the poverty line, the tax reform bill eliminates their income tax burden and offsets most of their social security tax burden. But for large families with earnings at the poverty line, very little of the payroll tax burden is offset.

The reason for the differential tax treatment of large and small families is simple: it is primarily due to the lack of a family size adjustment in the earned income tax credit (EITC). Adding such a feature to the EITC would, in my view, be one of the most beneficial things Congress could do in encouraging work and self-sufficiency. It would have the following effects:

- It would bring working poor families with several children somewhat closer to the poverty line.
- It would reduce (or possibly eliminate) the problem of having welfare or child support assurance benefits be more remunerative than working for larger families.
- It would provide for more equal tax treatment of larger and smaller families with children.

I would note that the concept of adjusting the EITC by family size is an area where a rather extraordinary consensus is now developing. Among those who have expressed support in recent months for such an approach are: the White House, in its task force report on families, authored by new White House chief domestic policy aide Gary Bauer; the Heritage Foundation; AEI tax expert Eugene Steuerle, the director of tax analysis at the Treasury Department during much of the tax reform debate; Robert Reischauer of the Brookings Institution; the Children's Defense Fund; the Social Policy Task Force of the House Democratic Caucus; and several of the recent welfare reform task force reports.

I would hope that Congress gives serious consideration to such an approach.

I would also mention one other area where a change regarding the EITC would be beneficial -- its current treatment in the AFDC program.

At present, AFDC benefits are reduced one dollar for each dollar a family receives in the earned income tax credit. The credit thus has no value for AFDC families, and its intended work incentive effects are lost. The EITC is designed to offset some of the Social Security payroll tax burden for low income working families with children. But working AFDC recipients are the one group of working poor families in the country who are effectively denied the EITC and provided no offset for payroll taxes.

Moreover, since AFDC benefits are reduced a dollar for each dollar in earnings as well (after the fourth month on a job), the net effect can be to impose an effective marginal tax rate of more than 100 percent on AFDC mothers who work. For each additional dollar they earn, their welfare benefits drop a dollar -- while their payroll taxes increase without any EITC to offset them. The result can be a net loss in income as earnings rise.

To the extent that AFDC or some other form of benefits is retained for working poor families, it is important to disregard the EITC when determining benefit levels. In the case of AFDC, such an action would bring the marginal tax rate below 100 percent. It would also increase the income gains realized by working, thereby making AFDC mothers who work somewhat better off than those who do not.

Health Care

As the Chairman has noted, another key area is health care coverage for working poor children. I was heartened to hear the Chairman observe last month that if states do not utilize options to extend Medicaid to the working poor, Congress may need to consider mandating it.

Two modest initial steps the Congress could take now would be to ease the transition to work by continuing Medicaid coverage for a period such as a year or two for AFDC mothers who leave welfare rolls (or leave a child support assurance program if it replaces AFDC) to take a job that does not provide health care coverage. A similar Medicaid extension could be explored for families leaving AFDC or a child support assurance program due to increased receipt of child support payments, so that identification of an absent father or collection of increased child support does not penalize a mother and her children through loss of health care coverage.*

In addition, provisions enacted in 1984 to improve access of poor children to Medicaid appear to need some modification. These provisions extended Medicaid coverage to young children in two-parent families that have incomes below their state's AFDC income limits, but that are ineligible for AFDC either because their state bars two-parent families from receiving it or because the father works and is not considered "unemployed." The 1984 provisions extended Medicaid coverage to poor children in such families born after October 1, 1983, until the children reach age five. While this was an important expansion of Medicaid coverage, it means that on October 1, 1988, when these children begin reaching their fifth birthdays, they will start being terminated from health care coverage.

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*There currently is an extension of Medicaid in these circumstances, but it lasts only four months.

There is no similar termination of Medicaid coverage at age five for children in AFDC families. The cut-off at age five effectively discriminates against two-parent families, particularly those two-parent families who work but are still quite poor. To remove this bias against two-parent families and to encourage work -- and also to assure adequate health care coverage for poor children in these families -- consideration should be given to phasing in an extension of Medicaid coverage for these children so that they are not cut adrift at age five.

Finally, as the Chairman has also noted, child care availability will need to be addressed. One approach might be to ease the transition from welfare to work by providing access to day care, at fees based on the family's ability to pay, for a specified period of time after a mother who has been receiving AFDC (or child support assurance payments) begins employment. The Committee may also wish to consider some level of increase in funding levels for the Social Services Block Grant, the principal federal program supporting day care for low income working mothers. Funding for this program was reduced in 1981 and has failed since then to keep pace with inflation. In real terms, federal funding for this program has fallen 50 percent over the past ten years while the number of low income mothers in the work force has swelled.

IV. FINANCING THESE CHANGES

To the extent that child support collections are increased and recipients are moved into jobs (especially those who would otherwise become long-term recipients), costs can be controlled. Still, it is likely that additional costs will be entailed.

As Senator Domenici noted in a speech to the Tax Foundation in December, the existence of an unhealthy budget deficit need not deter us from finding new resources to address critical unmet needs. On the contrary, Senator Domenici spoke of the importance of finding the resources to meet such needs by reducing spending in other, less critical budget areas. (Such an approach was essentially followed last year, when a modest "Children's Initiative" to broaden Medicaid and expand programs for poor children such as Head Start, WIC, and compensatory education was included in both the House and Senate budget resolutions, with its costs more than offset by the termination of General Revenue Sharing and reductions in programs such as Urban Development Action Grants.)

I find it of interest that in his speech, Senator Domenici identified the issues we are discussing today as among the most critical of our nation's unmet needs. He spoke of "national needs that are for me, as just one Senator, compelling and deserve new resources" and identified "welfare" as one of these prime needs. He talked of a nation that is not adequately meeting "its social and moral responsibility in new problem areas," stating that "most pressing in my mind, is the seamless web of poverty, homelessness, hunger, and mental illness."

I would hope that what appears to be an emerging consensus in several areas of welfare reform is matched by a new consensus among conservatives and liberals, Democrats and Republicans, that we need to follow Senator Domenici's call to find the new resources that will be needed to address unacceptable levels of poverty among chilren, and to make reductions in less critical areas to help finance the necessary initiatives.

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STATEMENT OF DAVID LIEDERMAN, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA

Mr. **Liederman**. Thank you, Senator.

Senator **Moynihan**. I hope that anybody isn't ashamed of the word "welfare." The Constitution of the United States which was drafted 200 years ago said, in effect, We are forming this organization "to provide for the common defense and promote the general welfare." It's right there in the first line of the Constitution. I don't know where it got to be a bad name.

Mr. **Liederman**. It is not a dirty word, right?

Well, I really appreciate the opportunity to be here. Bob is a tough act to follow.

I just wanted to say a word about the Child Welfare League. As you pointed out, we were created in 1920 as a result of the first White House Conference on Dependent Children, it was called, called by Teddy Roosevelt.

Senator **Moynihan**. That was 1909.

Mr. **Liederman**. Right. And it took 11 years for folks to get together to create a Child Welfare League, which then happened in 1920.

Senator **Moynihan**. Oh, so you date, really, to the first White House Conference on Dependent Children?

Mr. **Liederman**. Right.

Two major recommendations: one was the Child Welfare League, and the other was the Children's Bureau, the creation of the Children's Bureau.

The League is an association of 450 member agencies, both public and private, throughout the United States and Canada. We have about 40 member agencies, as you well know, in the great State of New York, many of them that you know personally.

I guess first I want to talk about the fact that AFDC is the major children's program in the United States, and we need to recognize that it is the major children's program. Because it is, what you are doing in your efforts to really bring this debate to center-stage is so crucial, because there isn't anything we can do to help children in this country that is more important than improving the AFDC program.

I don't need to quote all of poverty statistics relating to children in this country, because you know them better than anyone in the United States. I quote you, as do many people in this room, as it relates to the impact of poverty upon children.

I think my time would be better served by pointing out what I think are the essential principles of any attempt to restructure the AFDC program, reform it, improve it, whatever we want to call it. And let me speak to those.

First and most important is that the program continue to be an entitlement program, and that we do nothing to change that basic fact. Even if states want to do demo programs or if any among us wants to try demo programs, that the entitlement nature of the program not be changed.

Senator **Moynihan**. That it remain Title IV of the Social Security Act?

Mr. **Liederman**. Right. Correct.

Second, that the housing needs of this program, that the housing needs of the recipients—of the children, and of the families—be considered as an integral part of any welfare-reform efforts. Sometimes we forget the place of housing in this whole debate, and let me just talk to it for a minute.

One-third of the homeless people in the United States are women and children. They now represent about one-third of the homeless people. And by even the most conservative estimates, if you use the HUD estimates which are the most conservative by everyone's definition, you are still talking about over 100,000 women and children who are now homeless.

The reasons they are homeless are twofold. One, they don't have enough money to afford housing; and, two, there isn't enough affordable housing available for these folks. So, you can't look at the reform of AFDC or the improvement of the AFDC program without looking at the housing piece.

New York State I think is the only state that separates the shelter allowance from the basic grants. They have a basic grant provision, and then they have a shelter allowance in addition to the basic grant.

The shelter allowance in New York State is less than $300 a month. I think it is about $270 a month for a family of four. For $270 a month you can't get a bathroom in New York State. You can't get anything in New York for $270 a month, maybe save some of the rural areas of the state. In New York City, a single-room occupancy apartment is $300, and that is not an apartment, that is a room, with a bed and a dresser and chair. And that is $300 a month, for that.

So, clearly, when we look at the ability of folks on AFDC to manage, if you look at all of the other states where the housing part of the grant is included in the basic grant, and the cost of housing is astronomical all over the country—in Boston, Chicago, Los Angeles—in every major urban area, how can folks possibly manage with the grant that they are currently getting and pay for their housing costs?

So I think it is really crucial, as we look at this issue, that we begin to look at the housing piece as an integral part of the whole program.

Third, that the participation by the parents or care givers in any work-related activity be on a voluntary basis. I want to stress the voluntary nature of this principle.

I can't tell you how many welfare families I have known in the 25 years I have been in this business, but it is a lot, and we are talking in the hundreds, if not thousands. It would be hard for me to think of any of these folks who are able and capable of working who would not want to work if given the opportunity, and given a chance at a decent job, a decent training program, at a decent education, at a decent job. And if they had the support services, if they have the social services, if they have the daycare, if they have the other support services, they would leap to the chance of improving the quality of their own life.

I must say that there is a whole trend in this country towards the mandatory work provision. And I understand. I appreciate that people of good will can differ on this issue. But I must say, Senator, from my own experience, that I think the mandatory provision is not going to accomplish what anybody thinks it is going to accomplish. I think, and every study has shown it, and from the numbers that Bob has just cited, the MDRC studies, what we need is good solid work and training opportunities and educational opportunities, so that folks can take a shot at a better life and indeed have an opportunity to improve the quality of their own life.

Fourth, the participation by parents or caregivers in any work-related activities, that they be paid the minimum wage, and that the minimum wage be indexed for inflation; so that, if the head of a household works 40 hours a week, they will at least bring in an amount of money that is equivalent to the poverty level in this country, and they at least can have that much money to raise the children in the family.

And that a mandatory minimum federal AFDC benefit level be provided by a federally-defined methodology for determining the family adequacy level, and that any new provisions apply uniformly across the nation. I think it is important that we have a federal minimum level and, whatever you do and whatever legislation gets written, that it move in the direction of establishing a federal minimum level, which I think was the intent when the original Social Security Act was written.

My guess would be that if folks, then, had their druthers, if they could have got it through, they might have created one system instead of two systems. We created a two-trunk system, with the whole work ethic being part of the Social Security System, and then everybody else was part of income-maintenance of one sort or another.

Senator **Moynihan**. I wish someone would get that history. How about you? You were there.

Mr. **Liederman**. Well, no, I wasn't.

Senator **Moynihan**. But the Child Welfare League was.

Mr. **Liederman**. I did have a discussion with Speaker McCormick on that subject, and I asked him why they didn't go the whole way. I am giving you part of his answer, which was that they politically they couldn't, they couldn't get the vote; but there were those then who felt that they should have gone the whole way and created one federal system instead of this hybrid system that we currently have. It is probably time to move in that direction and see if we can do it today.

Senator **Moynihan**. I couldn't get the votes to include agricultural workers in the Social Security benefits at all. If you worked on a farm, you got nothing.

Mr. **Liederman**. It didn't count.

Senator **Moynihan**. Yes.

Mr. **Liederman**. I would mention two other principles, and then stop. One is that two-parent families in all states be eligible for AFDC. There are still 25 states in the United States where that is not the case.

And lastly, I would reiterate a point made by the person representing the Catholic Conference, and he stated it well, that minor teen mothers' eligibility should be considered separate and apart from that of their parents. A statistic that we need to put on the table is that 80 percent of the teen mothers in the United States are living at home.

Senator MOYNIHAN. They are?

Mr. LIEDERMAN. Yes. But what happens, though, if they do live at home—and that might be the best plan for them, at least in the short term, and it probably is impossible for them to do anything but live at home, given the housing costs and given the AFDC rules at this point—but if they live at home, their parents' income is the determining factor in their eligibility. And many of them are not eligible for Medicaid or for other kinds of benefits that they need because, when you include the parents' income, their eligibility is affected and there might be too much money in that family. Even though it is not a lot of money, it might be too much money and prevents them from being eligible for Medicaid.

Senator MOYNIHAN. Is an earned-income tax credit better? Do you want to join with the Heritage Foundation?

Mr. LIEDERMAN. I am not sure I support that. I think Bob's point on the earned-income tax credits seems to make sense.

Senator MOYNIHAN. Yes. The great problem with our wage system is that we have not found a way, except in the income tax, to provide some sensitivity to family size.

Thank you very much, sir. You raise important points, as I said, and we will get back to them. The idea of trying to find an apartment for $275 a day in New York City is a little bit daunting, much less a month. And so, the next thing you know, you are in a hotel room paid for by the city. Since you can't find a place for $275 a month, they are in fact paying maybe $75 a day.

Mr. LIEDERMAN. Correct.

Senator MOYNIHAN. Now, Ms. Harris.

We welcome the President of the National Association of Social Workers. Just tell us a little bit about yourself.

Ms. HARRIS. I came all the way from Columbia, Maryland.

Senator MOYNIHAN. Well, with even half an inch of snow on the ground that is a daunting feat.

We welcome you as President of the people who have their hands on this problem.

[Mr. Liederman's written testimony follows:]

CHILD WELFARE LEAGUE OF AMERICA, INC.

TESTIMONY OF
THE CHILD WELFARE LEAGUE OF AMERICA

BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY AND THE FAMILY
COMMITTEE ON FINANCE
UNITED STATES SENATE

HEARING ON
WELFARE: REFORM OR REPLACEMENT

FEBRUARY 2, 1987

PRESENTED BY
DAVID S. LIEDERMAN
EXECUTIVE DIRECTOR
CHILD WELFARE LEAGUE OF AMERICA

CWLA PRINCIPLES OF WELFARE REFORM

Any proposal to reform the present welfare system must be designed to assure the dignity, empowerment, and self-sufficiency of families; and participants must be fully involved in the decision making to establish their education, job training and job placement goals.

All programs should further assure:

1. That children who are deprived of adequate parental support because their fathers and/or mothers are absent from home, incapacitated, deceased, underemployed, or unemployed shall continue to be entitled to cash assistance under Aid to Families with Dependent Children along with their primary caregiver;

2. That eligible children and caregiver parents, especially pregnant women, are assured the provision of needed health care;

3. That housing needs be considered as an integral part of any welfare reform effort.

4. That participation by parents or caregivers in any work-related activity be on a voluntary basis;

5. That any work-related program include the provision of:

   a. individual needs and skills assessment;
   b. training and education, including high school, high school equivalency, and vocational training;
   c. social services, including job counseling and placement;
   d. quality developmental day care services;
   e. job related transportation assistance;

6. That recipients of assistance are made aware of the opportunities and benefits of education, job training, and employment through effectvie outreach activities;

7. That participation by parents or caregivers in any work-related activities be remunerated at no less than minimum wage;

8. That the minimum wage be raised indexed for inflation in order to assure that any head of household working a full time, 40 hour-per-week job can support a family at at least the poverty level;

9. That a mandatory minimum Federal AFDC benefit level is provided by a Federally defined methodology for determining family adequacy levels;

10. That any new provisions apply uniformly across the nation; and,

11. That combinations of State and Federal assistance when combined with individual family incomes, should be sufficient to allow each recipient family to be at least 100% of the poverty level.

Mr. Chairman and Members of the Subcommittee, my name is David Liederman, and I am Executive Director of the Child Welfare League of America. On behalf of the children and their families that our member agencies serve, I want to thank you for the opportunity to testify this morning about designing a more perfect social security system for all our nation's children.

As you know, the Child Welfare League of America (CWLA) is an association of some 450 leading child and family service agencies in the United States and Canada, with an additional 1200 affiliates in 27 State associations. We are the only privately supported organization in North America soley dedicated to abused, neglected, and deprived children. Our membership includes private voluntary, public, religious and nonsectarian agencies. As an example, among our members are the New York State Department of Social Services, the Kansas Children's Service League and the Methodist Children's Home of Waco, Texas.

As the Romans came to bury Caesar, it seems that, more and more, when we come together to to discuss welfare, we come to bury the AFDC program -- certainly not to praise it. Most seem to agree that it is inadequate and outmoded. Many say it has failed and, if its primary purpose is seen to have been the transition of mothers back into the work force, it surely has. If we seriously think it should have, by itself, ended poverty in this country, it has likelwise failed. In any case, most of us seem to agree that we have a very sick patient and many are proposing reforms of varying degrees, ranging from Band-Aids to surgery. Some would pass the patient around to each State and let them individually "demonstrate" their respective home remedies. Some would like to replace the patient altogether.

In discussing alternatives this morning, there are two points I would like to make above others. First, AFDC should not be held solely responsible for poverty in this country. We invest far too little to heep the blame for all societal ills upon the back of this one program. When it comes to AFDC, dependent children are its business. The goal of Aid for Families with Dependent Children is the same as that of my organization: to keep families together and children in their own homes with adequate care, safe conditions, and adequate supervision. Our judgements, then, concerning the relative merits of various plans to reform or replace welfare need to focus primarily, if not exclusively, on their implications for dependent children.

Secondly, if you will tolerate my use of the doctor/patient methaphor a bit longer, as we collectively consider various strategies of reform or replacement, our aim should mirror that goal contained in the Hippocratic oath -- first and foremost DO NO HARM. Some proposals to reform or replace welfare could very well leave poor children with even less hope than they have now.

It is easy to "dump" on AFDC, but perhaps it is not AFDC that has failed us, but rather we, as a nation, who have failed it and the children it serves. Certainly AFDC is inadequate, but it is inadequate because we, as a nation, have failed to invest amounts sufficient even to keep up with inflation. We begin by giving poor children only about half of what the Agriculture Department conservatively estimates is necessary for subsistence -- in some States somewhat more, in others, decidedly less. Then, year after year, we refuse to provide even cost-of-living adjustments to that bare amount.

As you, yourself, have repeatedly pointed out, Mr. Chairman, benefit levels have deteriorated greatly, particularly over the last 10 years. While we have indexed benefits for the old, the veteran, the railroad retiree, the disabled, and the civil servant, we have failed to do so for dependent children. As the President proposes to protect the 3000 highest paid public officials in this country from the ravages of inflation, we continue to do little for our 12 million most vulnerable children.

We, as a nation, have allowed the buying power of dependent children's benefits to decline by a third over the past ten years. Perhaps we insist on keeping the benefits for poor children low in order to punish their parents for being unemployed, but it is ultimately the children who suffer. We give dependent children half of what they need to survive, allow those benefits to decline by a third, and then blame AFDC because those children are unable to pull themselves out of poverty. It might be a hugh success, as far as dependent children are concerned, if only adequately supported.

Certainly AFDC is outmoded. Mr. Chairman, as you pointed out as recently as last week, of the some 12 million poor children in this nation, 5 million get nothing. But is this a mystery? Are not those really the children of the working poor who live in those states who choose to set their eligibilty levels so high as to exclude them from participation?

We accuse those on welfare of being lazy and idle, but what incentive do we give them to work when a man or woman can work at minimum wage, 40 hours-a-week, 52 weeks-a-year, never missing a day, and still be unable to support a family of three at the poverty level? Using Labor Department definitions of full year employment, three of every one hundred poor children in this country come from households where two parents work full-time.

From the Congressional Research Service study, Children in Poverty, we know that the fastest growing proportion of children falling into poverty in the 1980's come from two-parent families where one parent works full-time the year around. Another 25 percent of this nation's children living in two-parent families would have been in poverty if the family's only income was the father's wages.

If we, as a nation, really want to get people, and especially children, off the welfare rolls, AFDC should be reformed and the minimum wage should be indexed for inflation guarenteeing a subsistence lifestyle to families with a full-time worker. By refusing to raise the minimum wage and index it to inflation, perhaps it is really this nation that fails to pay child support.

In our efforts to reform or replace welfare, we must be sure that, in the end, our efforts do not leave dependent children more vulnerable than when we began. Our first consideration must be to DO NO HARM. What principles can we follow?

First, any effort to reform or replace AFDC should consider housing. Perhaps the most startling faces of childhood poverty looming on our horizon are the faces of homeless children. Joseph P. Riley, President of the U. S. Conference of Mayors, recently estimated that almost a third of the homeless are women and children. Approximately one-fourth of those families have at least one parent working full- or part-time but earning insufficient wages to cover the family's minimum needs of food and shelter.

In attempting to meet the needs of the homeless, we must be careful not to "institutionalize the symptom" by only providing a national system of temporary shelters. We must address the need for adequate and affordable housing. Mr. Chairman, as you have noted, concerning the problems with AFDC, there is indeed a tendency for that very small percentage of long-term welfare recipients, less than 10 percent, to be separated into "welfare neighborhoods." These neighborhoods are encountered in every area of the land and must be confronted with aggressive action. A plan to replace welfare which does not include a consideration of the housing needs of those previously assisted is perhaps best left undone.

Any plan to reform or replace AFDC should assure that children who are deprived of adequate parental support because their fathers and/or mothers are absent from home, incapacitated, deceased, underemployed, or unemployed continue to be entitled to assistance, along with their primary care giver. Otherwise it will do more harm than good.

Replacing an "entitilement" program with a "block grant" for poor children may be popular with an Administration bent on reducing social spending, but it will neglect dependent children. If assisting the poor is politically unpalatable, indexing a categorical block grant for inflation will be no more popular than indexing individual benefits. Instead, however, of a child's benefit deteriorating over time under AFDC, under a fixed block grant, we might expect some needy children to be cut off entirely, as inflation takes its toll.

Any proposal to reform or replace AFDC should assure that eligible children and caregiver parents, especially pregnant women, are provided quality health care. Premature births, low-birthweight babies, and untreated early childhood diseases have high economic and human costs. Proposals which reduce or terminiate health coverage will do serious harm.

Any proposal to reform or replace AFDC should assure voluntary participation by parents or caregivers in any welfare work-related activity. In the first place, most parents and caregivers receiving assistance will welcome job opportunities. It is not laziness which causes idleness but, rather, a shortage of jobs which pay a decent wage. Moreover, any attempt to force work will likely be unsuccessful and will, in the end, punish the children of those few parents who, for whatever reason, refuse to participate. While it is true that many middle-class families have two workers and that many single parents work as well, this change has resulted more from economic necessity than from any consideration of the best interest of the child, outside of the economic sphere.

Any program to reform or replace AFDC should include work opportunities. These opportunities should include a full range of services, including individual needs and skills assessment; training and education, including high school, high school equivalency, and vocational training; social services, including job counseling and placement; quality developmental day care services; and job-related transportation assistance.

Much else is also required. Participants in work-related opportunites should be paid at least minimum wage and if we really want to reform the circumstances of welfare, we must eventually confront the need to raise the minimum wage and index it for inflation sufficient that any head of household working full-time can support a family at at least the poverty level. A minimum wage of $5.30 an hour would allow one wage earner, who works full-time, to support a family of four at that level, which amounts to about $11,000 a year. Of all suggestions for reform, this is the one that is truly "revenue neutral" insofar as Federal Government funds are concerned.

A mandatory mimimum Federal AFDC benefit level should be provided, as determined by a Federally-defined formula for levels of family adequacy. Any new provisions should apply uniformly across the nation. The needs of dependent children should not be left to State and local experimentation and combinations of State and Federal assistance, when added to individual incomes, should be sufficient to allow recipient families to exist at at least a level of adequacy.

Mr. Chairman, none of these guidelines for reforming or replacing welfare, except for that of raising the minimum wage, will be revenue neutral. Those proposals aiming to somehow fold together existing programs for poor children to arrive at some new elixer are unrealistic. They may succeed in making the welfare system look more modern; perhaps it will no longer be "outmoded." But it will still be inadequate; perhaps more so. Someone must pay for welfare reform. We must either raise revenues, borrow the money, or reprioritize existing spending.

But who will pay? Those who suggest that we kill existing poverty programs to create a new one are ultimately answering that it is the poor themselves who must pay for welfare reform. The poor cannot afford it and may be left more at risk. Unless we, as a nation, want to improve the plight of dependent chidren enough to pay for it by raising taxes or reducing military expenditures, AFDC may best be left alone for the present, to wait and hope for a wiser generation.

Ultimately, we must end our prejudice toward the poor in this country. The stigma attached to the poor makes progress in welfare reform politically difficult. But we must not let political difficulities dictate an expedient course if it is not the appropriate course, especially where dependent children are concerned. They have no choice.

We must begin to recognize these children as our children. As a nation, we must begin to think of programs like AFDC, not pejoratively as programs for "them," but rather as programs for "us." This is more the case than we may find comfortable to believe, since today most Americans and their children are only a paycheck, an illness, or a spouse away from poverty.

Mr. Chairman, as I know you will recognize, "The future of a society may be forecast by how it cares for its young." Thank you for your continued leadership in attempting to strengthen this nation's future.

STATEMENT OF DOROTHY V. HARRIS, ACSW, PRESIDENT, NATIONAL ASSOCIATION OF SOCIAL WORKERS

Ms. HARRIS. Thank you very much, Mr. Chairman.

For the record, let me say that the National Association of Social Workers is the largest professional association of social workers in the world. Our organization represents the views and interests of over 100,000 social workers nationwide.

The social work profession has a longstanding and deeply rooted commitment to improving the quality of life for those individuals and families who, because of illness, handicap, poverty, or other disadvantages, have special needs within our society. I refer to the National Association as NASW hereinafter.

NASW has, over the years, appeared numerous times before Congress to share its concerns and insights regarding the reform of America's welfare system.

We commend you, Mr. Chairman, on your strong commitment to poor children and families over the years. I also want to bring you greetings from our 15,000 members in the State of New York who are very, very supportive of all of your initiatives in this area, and I want to thank you for the opportunity to once again present our views.

There is no question that this country must re-examine and alter its approach to addressing the needs of the poor. Poverty has increased by alarming proportions in recent years, with vulnerable populations, including children and minorities, suffering particular disadvantage. We are seeing more and more poor families. And in my over 25 years of practice in child welfare and family services, it seems that poor families are even poorer than in the past. And when you say that, you are not only talking about not having food and clothing, but the sense of dispair and hopelessness that we see in children and families in communities across this country. And the gap between rich and poor is growing even wider.

Poverty exacts a grievous price socially and psychologically as well as physically. It is heartening that researchers have begun to debunk some of the myths about poverty—for example, that women have babies in order to receive public assistance, that once people go on welfare they never get off, that people on welfare are either bad or lazy, that benefit levels permit luxury lifestyles, and so forth. This is not consistent with our experience.

The difficult question, of course, is precisely how to fashion a system which will be sensitive, effective, and viable.

Many of our members, some who are administrators and some who are practitioners, have hands-on experience with public assistance programs, employment needs of the poor, and social support systems. Based on their professional experience, we strongly recommend that the subcommittee pay particular attention to recommended improvements in AFDC benefits and to the provision of needed social services, both to provide a decent standard living for all individuals in this country and to allow for adequate support for those unable to become self-sufficient.

Mr. Chairman, we will not repeat some of the statistics, the staggering statistics which you have already heard here today. You have a copy of our full testimony. What I would like to do is summarize the recommendations presented in that testimony.

Senator MOYNIHAN. All testimony will be in the record in full.

Ms. HARRIS. These principles we think must be included in any effort at meaningful welfare reform, and there are seven:

One, in order to promote self-sufficiency for the poor, new welfare initiatives should provide recipients with options for effective work and training programs. In order to be effective, those programs should be targeted at providing employment with the following: pay that is adequate to provide the basic human needs; opportunities for meaningful long-term work with career ladder opportunities rather than make-work; and health insurance for children as well as adult family members.

Two, economic and structural causes of poverty should be addressed by establishing a policy of full employment. NASW has a long history of advocating for a national economic policy of full employment, which would guarantee to every American ready and equal access to meaningful work.

We also think that economic and structural causes of poverty may be addressed by increasing the current inadequate minimum wage, and by eliminating hiring, promotion, and pay practices that discriminate against women and minorities. As a start, Congress should pass pay equity legislation. We need to create incentives for employers to provide flexible work hours, maternity leave, child-care, job sharing, and adequate sick leave. Specifically, Congress should pass family and medical leave legislation.

Three, we are committed to the premise that all persons are entitled to a decent standard of living, including benefits which meet basic needs and prevent physical, emotional, and social deterioration.

A national minimum benefit level should be established for AFDC, and benefits should be indexed for inflation.

In a soon to be published 1986 NASW survey of single female heads of household, respondents often reported that current AFDC benefits were inadequate to meet basic needs. One woman, for example, said, and I quote, "If my parents and close friends didn't help with food, clothing, paper goods, and money on occasion, I think my sons and I would be homeless, regardless of AFDC."

We should refrain from imposing different or more stringent moral standards on poor people than on other populations, and from making reforms which render the system punitive.

The working poor should also have access to needed programs, particularly to Medicaid. It is neither humane nor economically sound to punish those who work and are still poor, by providing little access to health care.

Mr. Chairman, we have had experience with a lot of female heads of household who are working and whose employers are not providing health care benefits for their children. Many of these women have no option but to nurse little children at home with home remedies until they are very sick and have very clear or significant episodes of illness. Then they take them to the emergency room. This is neither cost effective, nor is it a good way to have a health maintenance plan for children in this country.

Number four, we think that welfare reform policies should promote family strength and stability by mandating the AFDC unemployed-parent program for all states. We know that in approximately half of the states, eligible families are denied AFDC benefits because there are two parents in the home. We also think the policy should promote family strength by strengthening enforcement of child support laws and increasing the size of payments, because we experience many children living in poverty who are only poor because a working parent is not helping to support them.

Number five, welfare reform must address the basic human needs of the whole person and the whole family, and allow individuals to move toward self-sufficiency through the provision of adequate social services.

By this, we are saying adequate child care, access to reliable transportation and other services must be provided in order for individuals to take advantage of work and training programs.

Outreach, counseling, case management, and other services which equip people socially, psychologically, and emotionally to succeed in work and training programs must be provided. These services also help prevent school dropouts and teen pregnancy, which so often lead youths into lives of unemployment and poverty.

Congress should restore funding to the Title XX Social Services Block Grant which provides the needed social services described above, but has been cut drastically in recent years.

We at NASW would like to bring you specific recommendations in this area at a later date, because we are working on those.

Senator MOYNIHAN. Yes.

Ms. HARRIS. Number six: We think that adequate child care, access to reliable transportation, access to health care, and other social services must continue well into the employment period to help prevent relapses back into dependency.

Finally, number seven is that we want to urge that welfare initiatives not be funded through cuts in other vital social programs.

We are anxious to work with the subcommittee in fashioning a welfare reform proposal which is informed by these guiding principles. Later this month we are bringing together a small group of experts in our field, experts in our profession, who know and are experienced in poverty and in welfare policy, to further pull together our experiences and our knowledge in this area. The results will be used to inform our state chapters across the country as they enter into the debate at the local level.

We would like to share that report with you, and we would like to share our report that is soon to come out on the single female heads of household. We hope that you will be able to use those reports as you continue to look into and to be informed about this welfare reform issue.

Thank you very much, Mr. Chairman.

Senator MOYNIHAN. Well, thank you very much, Ms. Harris. And yes, we do very much want the two reports you are going to have.

There is one area where we need more information, and that is in the area of teenage pregnancy. There are surely people who know something, but we have not managed to receive definitive information.

We have an important phenomenon, which is a decline in the average age of menarche. Today, the average age of menarche is somewhere around 12.5 years, a good drop of 1 and a half years since the turn of the century. I think this may be the largest impact technology has had on the human condition, that our children are reaching biological maturity long before they attain emotional maturity. A 10-year-old gave birth in New York City a few years ago. This is simply a changed human condition. Do you know what I am saying?

That welfare recipient who said she could not get along without her parents' help, I hope she doesn't have the impression that she is alone in the world. A very good friend of mine who was an aide to President Johnson was saying to me the other night that the rule in their family is that by age 40 you are out of the house and on your own. [Laughter.]

Mr. **GREENSTEIN**. Ready or not.

Senator **MOYNIHAN**. Mr. Fersh, we welcome you. I think this is the first time we have had the Food Research Action Center before our committee, and we are very glad to have you.

Why don't you talk a little about your coalition.

[Ms. Harris's written testimony follows:]

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Testimony Before the Committee on Finance of the United States Senate

on

Welfare Reform

Presented by: Dorothy V. Harris, ACSW
President

National Association of
Social Workers

February 2, 1987

My name is Dorothy Harris, and I am the President of the National Association of Social Workers (NASW). Our organization represents the views and interests of over 100,000 social workers, nationwide.

The social work profession has a long-standing and deeply-rooted commitment to improving the quality of life for those individuals and families who, because of illness, handicap, poverty, or other disadvantage, have special needs within our society. NASW has, over the years, appeared numerous times before Congress to share its concerns and insights regarding the reform of America's welfare system.

We commend the Chairman and committee members on their strong commitments to poor children and families, and thank you for the opportunity to once again present our views.

There is no question that this country must re-examine and alter its approach to addressing the needs of the poor. Poverty has increased by alarming proportions, in recent years, with vulnerable populations (including children and minorities) suffering particular disadvantage. There are more poor families; poor families are poorer than in the past; and the gap between rich and poor is growing ever wider. Poverty exacts a grievous price socially and psychologically, as well as physically.

It is heartening that researchers have begun to debunk some of the myths about poverty--that women have babies in order to receive public assistance; that once people go on welfare, they never get off; that people on welfare are either bad or lazy; that benefit levels permit luxury lifestyles, etc. In fact, many segments of the American public have acknowledged the enormity of the poverty problem and stand committed to remedy it.

The difficult question, of course, is precisely how to fashion a system which will be sensitive, effective, and viable. Many NASW members, some who are administrators or practitioners, have first-hand familiarity with public assistance programs, employment needs, and social support systems. Based on their professional experience we strongly recommend that the Subcommittee pay particular attention to recommended improvements in AFDC benefits and to the provision of needed social services both to provide a decent standard of living for all individuals in this country and to allow for adequate support for those able to become self-sufficient.

The principles we support and will explain here are that welfare reform policies should:

1) Promote self-sufficiency;

2) Address economic and structural causes of poverty;

3) Assure individuals a decent standard of living in order to meet basic needs;

4) Promote family strength and stability;

5) Address the needs of the whole person and family by giving particular attention to the provision of needed social services;

6) Emphasize transitional, as well as, preventive services.

Recommendations

1) First, any approach to welfare reform should promote self-sufficiency, while respecting each individual's right to self-determination. Social workers know, and recent studies have confirmed, that the vast majority of welfare recipients want to be employed. According to a sample of low-income persons recently interviewed as part of a survey conducted by the Coalition on Human Needs, "welfare programs [are] generally viewed as a necessary evil--hated but the only way to get a minimum subsistence."[1] Work provides a number of benefits to individuals, not the least of which is increased earning potential and increased self-esteem. Access to employment and earned income, then, ought to be the cornerstone of efforts to alleviate poverty. It must be recognized, however, that self-sufficiency requires more than a job. It requires the kind of education, training, and preparation which will render people truly employable, and it requires opportunities for long-term employment in jobs which pay a living wage and provide health insurance for the whole family as well as other essential benefits.

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[1] Coalition on Human Needs, "How the Poor Would Remedy Poverty," July - Aug. 1986, p.14.

Mandatory work requirements for welfare recipients face considerable obstacles including: dead-end, low-paying jobs could result in individuals return to the welfare rolls with less motivation to become self-sufficient in the future; day-care and other social service needs of the working poor are only beginning to be examined and addressed; concerns about the creation of a cheap work force are unanswered and must be addressed.

While we believe in fostering self-sufficiency, we also believe that people have a right to make choices about their lives, their families, and their futures. As such, we support voluntary participation in work and training programs. The highly acclaimed Massachusetts ET Program, for example, does not require work but presents opportunities. Given that great numbers of people on welfare want to work and that work and training programs for those who do want to work will be complex enough, we urge Congress to pass a welfare reform program that will provide a range of voluntary work and training options and incentives available to those who chose to make use of them.

2) Any policy adopted should be broad enough to address economic and structural causes of poverty, in addition to deficiencies in the welfare system. NASW has a long history of advocating for a national economic policy of full employment which would guarantee to every American, ready and equal access

to meaningful work.[2] Unfortunately, the United States has never committed itself to full employment. Our economic policies have resulted in whole labor sectors being lost to foreign countries, while the bulk of domestic employment has shifted from blue-collar to lower paying service-sector jobs. To be effective, welfare reform must take place in a full employment environment. Job creation is essential. We ought also to give serious consideration to redistributing available employment opportunities. While some individuals regularly work overtime, or at more than one job, others are without employment entirely. Incentives might be provided to employers to hire new workers for those "excess hours." Another strategy, which has been the subject of several legislative initiatives, is to reduce the length or the standard work week, thus enabling more people to share in available employment.

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[2] NASW Policy Statement of 1964, the first from a national organization to formally advocate for a full employment program.

In addition, there is no point in providing employment to all Americans if it fails to yield a living wage. The minimum wage, which has seen no change since January 1981, must be increased. In today's economy, even if one parent works full time and one parent half time, both at minimum wage, they would not earn enough to lift their family of four out of poverty.[3]

Equally essential to a full employment economy are efforts to eliminate social barriers to meaningful employment such as discriminatory hiring, promotion, and pay practices. There has been considerable attention , in recent years, to the alarming incidence of poverty among female-headed families--the so-called "feminization of poverty." This reality--that nearly half of all poor persons live in families headed by single women[4]--must inform our welfare policies, and our approach to fostering full employment. First, we must commit ourselves, as a nation, to rectifying the gender gap in wages. According to a 1979 study by the United Nations, women comprise two-thirds of the world's work force, but reap only one-tenth of the world's pay. And the U. S. Department of Labor reported in 1984 that women are paid only $0.63 for every dollar earned by men.[5] Second, women face an inherent economic vulnerability. They are expected, in our society, to contribute to their families financial survival, and to assume responsibility for childrearing and caregiving. Without additional supports, the demands of the latter inevitable impinge on the former, rendering many women essentially "on loan" to the labor market. The relapse rate of female welfare recipients who find jobs, only to return to welfare has been estimated to be as high as 50%. One strategy would be to create incentives for employers to provide flexible work hours, maternity leave, on-site child care, job sharing, and adequate sick leave for both men and women to care for ailing family members. If our objective is to move people from the welfare rolls into meaningful, long-term employment--if our objective is lasting self-sufficiency--then the conflict between family and work obligations must be taken into account. In acting to eliminate social barriers to employment we urge Congress to include passing two bills that failed to make it through the 99th Congress but will again be considered by the 100th Congress. The first addresses Family and Medical Leave and is sponsored by Senator Dodd, and the other addresses Pay Equity, and is sponsored by Senators Evans and Cranston. Neither go far enough in their area (the second is only a study) but nonetheless merit your support as important first steps.

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[3] Children's Defense Fund, "The Children's Defense Budget", 1985, p. 128.

[4] Center on Budget and Policy Priorities, "Smaller Slices of the Pie," Nov. 1985, p. 12.

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[5] U. S. Department of Labor, Women's Bureau, "20 Facts on Women Workers," 1984.

3) All persons are entitled, whether through earned income or other sources, to a decent standard of living. Welfare proposals, in their effort to encourage labor force participation, must not lose sight of that entitlement. We should avoid any reforms which would render the system punitive in nature--and we should refrain from imposing different or more stringent moral standards on poor people than on other populations.

For those whose earned income is inadequate to lift them out of poverty, "entitlement" should be taken to mean access to basic needs such as health care. The working poor should, for example, have access to Medicaid, and not be punished for working as many now are.

A national minimum benefit level should be established for AFDC, and benefits should be indexed for inflation. In a soon-to-be published 1986 NASW survey of single female heads of households[6], respondents often reported that current AFDC benefits were inadequate to meet basic needs. One woman said, "If my parents and close friends didn't help with food, clothing, paper goods, money on occasion, I think my sons and I would be homeless, regardless of AFDC." The inadequacy of benefits in many, if not all states, is a common theme which must be addressed. Emergency financial assistance should also be available.

4) Reforms in the welfare system should promote family strength and stability. Poverty, in and of itself, places enormous stresses on family relationships. Social workers have often viewed our current welfare system as contributing further to the dissolution of the family unit. NASW strongly supports mandating the AFDC-Unemployed Parent (AFDC-UP) Program in all states, as one small step toward remedying this situation.

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[6] National Association of Social Workers, "Helping the Strong."

Currently, in approximately half the states, otherwise eligible families are automatically denied AFDC benefits, simply because there are two parents in the home--regardless of income or need. There is evidence that this exclusion has, in fact, led families to split up so that the mother and children can receive benefits. Congress has come so close, in the past, to passing an AFDC-UP mandate; it should be an integral part of any welfare reform proposal this year.

In order to keep single parent families intact, it is also essential that child support awards be increased, and that laws governing payment be better enforced. We all know about the relatively large number of parents who do not make their required support payments. We believe the federal government should do more to make these parents meet their responsibilities to their children, and recommend that the Committee begin by assessing the pilot programs some states have been developing for alternative means of establishing and collecting court-ordered payments.

5) Welfare reform should address the needs of the whole person and the whole family. Lifting individuals and families out of poverty is a tall order; the success of any approach depends on a huge number of variables. Consequently, a comprehensive system which addresses as many needs and potential obstacles as possible, stands the best chance of being effective. Merely making jobs available to the poor is not enough; neither is

providing education and training, no matter how intensive or well-designed. Long-term employment depends upon an individual's being able, physically, psychologically, and socially, to comply fully with job obligations. Two types of services are needed, in this regard: "supportive services," and what we'll call "soft services." Their importance was strongly confirmed by the NASW survey of single parent families, alluded to earlier.

"Supportive services" are those concrete services which would enable people, logistically, to attend work or training programs. They include adequate child care for both infants and school-age children; care for other family members; and transportation, among others. We believe that the provision of these services is essential to program success, since their absence is frequently an obstacle to participation in employment and training programs.

"Soft services" are those which equip people, psychologically, emotionally, and socially to succeed in work or training endeavors. They include outreach, assessment, personal and career counseling, case management, motivation training, parenting and living skills, problem-solving, etc. The transition from dependence to varying levels of self sufficiency may be frightening to many; problems on the job or problems juggling family and work obligations may, in the absence of these services, become overwhelming. Incorporating the provision of such services in a welfare reform plan not only helps to ensure successful transition to self-sufficiency, but also serves an important preventive function. Young people who drop out of school frequently do so because of family problems: alcoholism, illness, etc. Providing counseling at this early stage might well help to forestall the chain of events which so often leads dropouts to lives of unemployment or poverty. Likewise, teen pregnancy might, in some instances, be averted through the availability of "soft services."

NASW is in the process of exploring possible funding mechanisms for both types of services. One option which seems viable thus far is to make them available through a restoration of funding to the Title XX Social Services Block Grant. The Block Grant is a flexible funding source, already administratively in place, which is designed to meet precisely these kinds of needs. However, appropriations for the federal programs funded by the Social Services Block Grant were reduced by 23% when they were merged into the Block Grant in fiscal year 1982. To add to that the current authorization ceiling of $2.7 billion is way below the $3.3 billion the Block Grant would be funded at if not for additional cuts by the Reagan Administration. Primary objectives of the Block Grant include achieving or maintaining economic self-sufficiency. We, therefore, hope that the Subcommittee will strongly consider utilizing the Title XX Social Services Block Grant for providing services needed to bring people out of poverty.

6) And lastly, an emphasis should be placed on transitional services, as well as on preventive strategies. In order to make participation in the labor force advantageous to welfare recipients, it is essential that child care, transportation, "soft services"(for psychological, emotional, and social support), and health insurance continue well into the employment period. The threat of sudden benefit losses is a formidable obstacle to leaving the rolls for employment. As one respondent in the NASW single parent survey said, "I am currently a welfare recipient and I must say that although I want to work, I feel too 'safe' to make a move... I absolutely will not make any move without the assurance of my family being taken care of medically in case of emergency. I would work full-time if I could get to the work and child care with ease."

Extending these benefits to the working poor, even beyond the transition period, would help to prevent relapses back into dependence. It is also important that welfare initiatives not be funded through cuts in other vital social programs. There will always be people who are unable to work and thus depend heavily on federal programs in such areas as health, nutrition, education, and social services. Reducing federal outlays for those programs would only exacerbate the situations of the hard-core disadvantaged. It would also create a risk of thrusting into poverty those who are employed, but depend on those services to help make ends meet.

Summary

I would like to summarize the recommendations we have made today:

1) In order to promote self-sufficiency for the poor, our welfare programs should provide recipients with options for effective work and training programs. In order to be effective those programs should be targeted at providing employment with:

   - pay that is adequate to provide for basic human needs,
   - opportunities for meaningful long-term work, rather than make-work,
   - health insurance for children as well as adult family members.

2) Economic and structural causes of poverty should be addressed by:

   - establishing a policy for full employment,
   - increasing the currently inadequate minimum wage,

- eliminating hiring, promotion, and pay practices that discriminate against women and minorities. As a start, Congress should pass Pay Equity legislation.

- Creating incentives for employers to provide flexible work hours, maternity leave, child care, job sharing, and adequate sick leave. Specifically, Congress should pass Family and Medical Leave legislation.

3) All persons are entitled to a decent standard of living including benefits which meet basic needs and prevent physical, emotional or social deterioration:

- A national minimum benefit level should be established for AFDC, and benefits should be indexed for inflation.

- We should refrain from imposing different or more stringent moral standards on poor people than other populations, and from making reforms which render the system punitive.

- The working poor should also have access to needed programs, particularly Medicaid. It is neither humane nor economically sound to punish those who work and are still poor with little access to health care.

4) Welfare reform policies should promote family strength and stability by:

   - mandating the AFDC-Unemployed Parent Program for all states,

   - strengthening enforcement of child support laws and increasing the size of payments.

5) Welfare reform must address the basic human needs of the whole person and the whole family and allow individuals to move towards self-sufficiency through the provision of adequate social services:

   - Adequate child care, transportation and other services must be provided in order for individuals to take advantage of work and training programs.

- Outreach, counseling, case management and other services which equip people socially, psychologically and emotionally to succeed in work and training programs must be provided. These services also help prevent school drop-out, and teen-pregnancy which so often lead youths into lives of unemployment and poverty.

- Congress should restore funding to the Title XX Social Services Block Grant which provides needed social services described above, but has been cut drastically in recent years.

6) Adequate child care, transportation, other social services as well as health insurance must continue well into the employment period to help prevent relapses back into dependency.

7) Welfare initiatives should not be funded through cuts in other vital social programs.

We are anxious to work with the Subcommittee in fashioning a welfare reform proposal which is informed by the guiding principles. Thank you for this opportunity to share our priorities with you; I would be happy to respond to any of your questions.

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH ACTION CENTER, WASHINGTON, DC

Mr. FERSH. I would be happy to, Mr. Chairman.

First of all, thank you for the opportunity to testify. And I also would like to salute you for your leadership in the welfare reform issue. I am certainly hopeful that, now that we have an opportunity to deal with welfare on a substantive basis, that given your knowledge and your leadership I certainly hope we can move it past the usual political posturing on the issue of welfare.

My primary role today, along with Cindy Marano, is to present a document known as the "Welfare Reform Statement of Principles."

Senator MOYNIHAN. Oh, yes, I see. I received a few pieces of paper here.

Mr. FERSH. Well, there is my testimony, then a copy of the full principles, and then an up to date list of the organizations that have endorsed it. The list is still growing daily. We hope to print it next week and just cut off the deluge of requests we have to come on, because we want to get it out to the members of Congress and around the country.

As I mentioned, over 100 organizations have now signed on and prominent individuals, including former Secretaries of the Department of Health, Education, and Welfare in the Eisenhower, Johnson, and Nixon Administrations. I would add that many of your witnesses today are on our list.

Senator MOYNIHAN. Yes, I see some of them.

Mr. FERSH. I would like to make clear today, though, that I do not speak on behalf of all of the groups that support the document. Any statements that go beyond the text of the document reflect only my own views.

Basically what we hope to do and I think do others that you have heard today, is trying to set a direction and tone for the welfare debate.

We initiated this project in large part to demonstrate that there really is a widely-shared vision on how to improve the welfare system, both among experts and other groups with an interest. We know that our principles are limited because they are general in nature, and that there would be many approaches that are consistent with them.

However, we do think it sets a certain fundamental direction for reform. And I really would urge anyone who has a chance to look at this list to see what a broad section of America has joined it. I think that they are groups that have moved beyond the myths and the stereotypes and the "blur" that you referred to before to, I think, a higher understanding of the extent of poverty and what the underlying causes are.

Let me walk through the principles very briefly for you; I know the hour is late.

Principle one, persons who work should be rewarded for their efforts. They should receive income sufficient to support their family and have access to necessary health care and child care. Barriers to the employment of low-income persons should be eliminated.

I think one of the key points to make here is that the current welfare system not only often discourages work, but also places formidable barriers in the way of those who truly would prefer to work.

Until such time that those who work can be reasonably assured of health coverage for their families, adequate care for their children, and income sufficient to meet minimum family needs, progress in increasing the employment of low-income persons will be impeded.

Senator MOYNIHAN. If I can interrupt, Ms. Harris, in your written testimony you cited a mother who said something like, "I would certainly be prepared to work, if I can find work; but I am not going to give up the health insurance of my entire family by doing so." That is dumb and senseless, and I am sure we all agree to that. If there is anything dumb, it is that disincentive.

Mr. FERSH. I think perhaps it has been underestimated in the past. There is a financial disincentive in lost benefits, but I think perhaps the Medicaid disincentive is stronger than any. You know, the $20 or $30 or $50 cash dropoff would be, I think, devastating for many families, but also the medical care is.

Principle two--and this is where I would like to put most of my emphasis—is job opportunities, job counseling, training, education, and supportive services should be widely available as primary tools to prevent and overcome poverty.

This principle recognizes that welfare alone is not the proper tool to bring large numbers of low-income Americans out of poverty. It stresses the need for employment opportunities and services that are suited to the varying needs of the low-income population, as many of your prior witnesses have indicated, and as you have indicated. We don't have a monolithic low-income population; they are very different and they have varying needs, and we ought to devise strategies that are appropriate to their varying needs.

Again, I think this principle, as we wrote it up, indicates that the work ethic is indeed alive and well within America and within America's poor. My own personal view is that the current welfare debate places much too much emphasis on who might satisfy what theoretical work requirement. If enough slots are established to provide meaningful employment, training, and education opportunities, this issue should become one of lesser importance.

People respond well to real opportunities to improve their lives. And above all, I would caution against moving forward with work requirements that attempt to be all-inclusive and offer only superficial services. We face this now, in reality, in the food stamp program. We have massive new requirements that are intended to run as many people through the mill as possible. The end result is likely to be endless paper shuffling, as the energies of the administrative agencies are devoted to compliance and monitoring activities, rather than the provision of real services.

I would like to add that there needs to be a tremendous infrastructure in place if we are going to enforce universal work requirements. So I would like to lend my voice to those who already articulated very well the need to maximize voluntary participation in these programs.

Again, I think this issue comes to a head for mothers of children under age six. As Mr. Greenstein pointed out, up to now we have done very little—we have required little of and done little for—

mothers of children under age six. It seems to me we ought to start moving toward encouragement and recruitment and getting people's free will involved. After all, we are a country that very much believes in liberty and free will. And to the extent we have people come in voluntarily, I think we assure a greater measure of success, in that they have an investment in the outcome of whatever programs they participate in.

Principle three is that the Federal Government should assure a minimum standard of living, including sufficient food, clothing, shelter, and medical care, to those in poverty. I think this issue has been well-documented before you, the insufficiency of levels of benefits available through federal, state, and local efforts.

Article Four: Additional investments should be made in programs proved successful in preventing future poverty and its ill effects. By this, we not only are looking at basic income maintenance programs, which we think are important, but there are some programs like Head Start and WIC, and Chapter I and Job Corps, that may prevent poverty. We don't want those programs to be forgotten, and there is a need to make further investments there so that we can get closer to the root causes of the problem.

Article Five: Welfare policies should aid both one- and two-parent families in need. Existing child support laws should be more effectively enforced.

Basically, the two notions we have here are that there should be a two-parent coverage within the AFDC program or whatever other program emerges in the coming months, and that there needs to be greater child-support enforcement. That activity has to be strengthened. I know that is something you are very strong on, Mr. Chairman.

Now, Principle Six is also a very important principle to the group: In achieving the objectives above, the Federal Government should maintain a strong presence, setting minimum benefit standards, providing adequate resources for effective programs, and supporting appropriate and effective state and local initiatives.

Here again we are talking about federal leadership. Certainly, the Federal Government cannot and should not provide for all needs. But if history is any guide, a strengthened federal role is the surest possible way to have immediate positive impact on poverty in this country.

Contrary to popular belief, efforts to aid the poor do not dominate the federal budget; only about 11 percent of the federal budget is devoted to programs that primarily serve low-income persons. This is a smaller percentage than we currently apply to interest on the national debt.

If there is one principle that the 20 core groups who drafted this statement, our statement of principles, felt——

Senator **Moynihan**. You said 20 core groups. Are they listed somewhere? They are not identified.

Mr. **Fersh**. We would be happy to supply that for the record.

Senator **Moynihan**. Well, if you like. You don't have to, but it would be interesting, and I would like it in the record.

Mr. **Fersh**. I would be happy to supply it.

[The information follows:]

The following list represents those groups invited to organize and draft the Welfare Reform Statement of Principles. While most participated, not all groups attended nor did all groups eventually endorse the statement.

Mr. **Fersh**. Perhaps in reaction to what was anticipated from the White House, we started in September and reached—believe me, it was a very difficult process to get even 20 groups to a consensus—we reached consensus in I believe late October. In part I think it was in reaction to what we anticipated coming from the White House.

Senator **Moynihan**. It sounds like "The Way West"—"We reached Consensus on September 12, 1843, Consensus in Wisconsin, and moved on to Distopia." [Laughter.]

Mr. **Fersh**. It was a tough and lonely process.

Support for a continued and strengthened federal role in alleviating poverty should not be misinterpreted as a statement that only the Federal Government can alleviate poverty, or that the only creative ideas to fight poverty must emanate from the federal level. Surely, such a view is shortsighted and even counterproductive.

The key point is that the Federal Government must play a leadership role in providing resources and setting minimum standards. Levels of support should not vary widely due to disparities in local revenue bases or local attitudes toward the poor.

I just want to conclude by leaving you with a few comments on behalf of the Food Research and Action Center. We are deeply concerned about the status of welfare reform. Our primary concern is domestic hunger. Yet, we know that domestic hunger is caused by many factors, including economic performance, as well as the performance of a whole range of social programs. We work very hard on the food stamp program and the child nutrition programs, which took their share of cuts, but we recognize that cutbacks in AFDC and many other programs like housing assistance and Medicaid contribute to hunger. So, there are three areas that we think are particularly important, and in the jurisdiction of your subcommittee.

You have heard eloquent testimony today from the Reverend of the Lutheran church about the extent of hunger, which we can corroborate.

We do think that extending AFDC-UPs——

Senator **Moynihan**. That was Reverend Bergstrom. They have a nice Lutheran term—they don't talk about "soup kitchens," they talk about their "pantries."

Mr. **Fersh**. In any event, I would be happy to reaffirm much of his testimony. I serve on the board of a soup kitchen in Silver Spring, Maryland, and we have had dramatic increases in demand for aid in recent months and in the last few years. I also serve on the board of Second Harvest, the nationwide network of food banks, and they tell us in unanimity of the tremendous growth of people relying on the private sector for ongoing aid and of their inability to provide that aid.

So, that is what lends urgency to our testimony today, because we see the welfare reform effort as an important ingredient in trying to alleviate the disgrace of hunger that the country now faces.

So, in addition to extending AFDC to two-parent families, we do think there should be some minimum benefit standards, whether it is AFDC or AFDC and food stamps combined. Either way, we should move forward.

A third piece that I think is terribly important, and I think you were on to this a long time ago, is that there is a disincentive to raise AFDC benefits, because states lose food stamp dollars. They lose food stamp dollars—that are paid 100 percent—if they raise AFDC. And if there is any way just to change the incentive structure, we think that would be terribly important.

Thank you for the opportunity to testify.

Senator MOYNIHAN. We thank you, Mr. Fersh for your very instructive testimony, and very explicit, and very important to us.

I know who U.S. Senator Lowell Weicker is, but who are the Villers Advocacy Associates?

Mr. FERSH. They are a group, housed I believe, under the Villers Foundation, which is the foundation that works on issues concerning low-income elderly persons.

Senator MOYNIHAN. Low-income elderly persons. All right.

I would like to ask you, on this whole question of job training, or maybe I will ask the whole panel—you shouldn't be allowed to go away without home work to be done—is what has the GAO learned in this new study that was reported in the press this morning, that was requested by my colleague from New York, Representative Weiss. Among other things, we find that the rates of return under these job training programs are very marginal. It is helpful to understand that from the start, so that our expectations are not unrealistically high.

But, to our last and concluding witness. Again, I think this is the first time we have had the pleasure of having Ms. Marano before our committee. Isn't that so?

Ms. MARANO. Yes, it is.

Senator MOYNIHAN. She is the Executive Director of Wider Opportunities for Women. We welcome you, and we have your testimony.

So, go right ahead.

[Mr. Fersh's written testimony follows:]

FRAC
FOOD RESEARCH AND ACTION CENTER

TESTIMONY OF

ROBERT J. FERSH

EXECUTIVE DIRECTOR

before the Subcommittee on
Social Security and Family Policy

U.S. Senate

February 2, 1987

1319 F STREET, N.W. #500 • WASHINGTON, D.C. 20004 • (202) 393-5060

Mr. Chairman and members of the Subcommittee:

My name is Robert Fersh, and I am the executive director of the Food Research and Action Center here in Washington. FRAC, as we are commonly called, is a non-profit public interest group that works to alleviate domestic hunger through research, litigation, and public policy activities. We work closely with a nationwide network of hundreds of advocacy and religious groups, low income individuals, emergency feeding organizations, and public officials.

My primary role today, along with Cindy Marano, is to present a document known as the Welfare Reform Statement of Principles. FRAC was the main organizer of this statement, which was prepared by about 20 groups over a period of several months last fall. Once agreement was reached on the statement, it was widely circulated and released to the public on December 22, 1986. As of today, over 100 organizations, elected officials, and prominent individuals have endorsed it, including former Secretaries of the Department of Health, Education, and Welfare in the Eisenhower, Johnson and Nixon administrations. A list of endorsing groups and individuals is attached to the statement, and I request that both documents be entered in the record.

I would like to make clear that, other than presenting the Statement of Principles, I do not speak today on behalf of all of those who support the document. Any statements that go beyond the text of the document reflect only the views of the Food Research and Action Center.

The principles are intended to provide direction for the current national debate on welfare reform. This document not only describes the basic nature of the poverty problem in the United States, but also provides fundamental guidelines by which to measure and evaluate the various welfare reform proposals that are currently emerging.

This project was initiated, in large part, to demonstrate that there really is a widely shared vision on how to improve the welfare system -- both among those with expertise on the subject and among others with a deep concern about it. By their very nature, principles are limited because they are general. There are a variety of approaches that would be consistent with these principles. However, we believe these principles make a clear, necessary and meaningful statement about the direction for reform.

Endorsers of the principles not only include various individuals and groups that have proposed or will propose specific welfare reform plans, but also many other organizations representing tens of millions of Americans. Thus, the strength of this document lies not only in what it says but in who is saying it.

I would now like to briefly walk through the principles.

I. PERSONS WHO WORK SHOULD BE REWARDED FOR THEIR EFFORTS. THEY SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED.

This principle highlights the fact that the current welfare system not only often discourages work, but also places formidable barriers in the way of those who truly would prefer to work. Until such time that those who work can be reasonably assured of health coverage for their families, adequate care for their children and income sufficient to meet minimum family needs, progress in increasing the employment of low income persons will be impeded. On this principle, as well as principles II and IV, my co-witness Cindy Marano will provide elaboration.

II. JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

This principle recognizes that welfare alone is not the proper tool to bring large numbers of low income Americans out of poverty. It stresses the need for employment opportunities and services that are suited to the varying needs of the low income population, thereby also recognizing the responsibility to work on the part of those who are able. The poor are not monolithic and no single uniform approach to increasing employment among them is likely to work. This principle also recognizes that the work ethic is alive and well among America's poor, thus suggesting that job opportunities, more than requirements, will be the most critical factor in increasing work force participation.

My own personal view is that the current welfare debate places too much emphasis on who must satisfy what work requirement. If enough slots are established to provide meaningful employment, training and education opportunities, this issue will become one of lesser importance. People respond well to real opportunities to improve their lives. Above all, I would caution against moving forward with work requirements that attempt to be all-inclusive and offer only superficial services. We face this now in the Food Stamp Program. The end result is likely to be endless paper shuffling, as the energies of the administering agencies are devoted to compliance and monitoring activities, rather than the provision of real services.

This issue comes to a head for mothers of children under age six. Up to now, we have required little of and offered little to mothers of younger children. Now many people are talking about major, new comprehensive requirements. While I agree this is an appropriate target group for employment opportunities and skills training, I would urge caution and sensitivity in trying to set up programs for these parents. We should certainly try to maximize voluntary participation so that the free will of the individual can contribute to the ultimate success of whatever programs are established.

III. THE FEDERAL GOVERNMENT SHOULD ASSURE A MINIMUM STANDARD OF LIVING -- INCLUDING SUFFICIENT FOOD, CLOTHING, SHELTER AND MEDICAL CARE -- TO THOSE IN POVERTY.

This principle emphasizes the need for humane levels of support for those who cannot work, are temporarily out of work, or are enrolled in training or education programs. For millions of Americans who fall upon hard times, the current level of benefits and services now provided through assistance programs falls far short of the poverty line. According to a September 1986 report released by the Department of Health and Human Services, federal means-tested programs are "targeted effectively." Eighty-six percent of cash and in-kind benefits go to households that are poor before receiving government assistance. Now we must assure a greater measure of adequacy.

IV. ADDITIONAL INVESTMENTS SHOULD BE MADE IN PROGRAMS PROVED SUCCESSFUL IN PREVENTING FUTURE POVERTY AND ITS ILL EFFECTS.

This principle reminds us that there are a variety of programs already in place which are invaluable investments in preventing poverty. Providing cash instead of these programs is unlikely to lead to the long-term benefits the programs provide. Further investments in such programs -- like Head Start, WIC, Chapter I and Job Corps -- are likely to prove cost-effective in the long run.

national conscience. We spend more on interest on the national debt than on low income programs.

If there is one principle that the 20 groups drafting these principles felt strongest about, I believe it is this principle emphasizing the necessity of a strong federal role. As our underlying document points out, there is a strong record of success among federal programs in alleviating the extent and degree of poverty in this country. Few would dispute the effectiveness of Social Security and Supplemental Security Income in diminishing poverty among their target population. A strong case can be made that programs like Medicare, Medicaid, Food Stamps and WIC also have been particularly effective in serving their intended purposes.

Support for a continued and strengthened federal role in alleviating poverty should not be misinterpreted as a statement that only the federal government can alleviate poverty, or that the only creative and productive ideas to fight poverty must emanate from the federal level. Surely such a view is short-sighted and even counter-productive.

The key point is that the federal government must play a leadership role in providing resources and setting minimum standards so that all Americans are guaranteed a fundamental level of protection against the ravages of poverty. Levels of support should not vary widely due to disparities in local revenue bases or local attitudes toward the poor.

V. WELFARE POLICIES SHOULD AID BOTH ONE- AND TWO-PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

This principle emphasizes the importance of the family and individuals' obligations to support their families. Cash welfare is unavailable to two-parent families in about half the states and its availability is greatly limited in most other states. This situation simply cannot serve to strengthen American families. Special circumstances and difficulties of one-parent families must be recognized if anti-poverty efforts on behalf of these families are to be successful.

VI. IN ACHIEVING THE OBJECTIVES ABOVE, THE FEDERAL GOVERNMENT SHOULD MAINTAIN A STRONG PRESENCE, SETTING MINIMUM BENEFIT STANDARDS, PROVIDING ADEQUATE RESOURCES FOR EFFECTIVE PROGRAMS, AND SUPPORTING APPROPRIATE AND EFFECTIVE STATE AND LOCAL INITIATIVES.

This principle stresses the tremendous importance of federal leadership in serving the needs of the poor. Certainly, the federal government cannot and should not provide for all needs. But if history is any guide, a strengthened federal role is the surest possible way to have immediate positive impact on poverty in this country.

Contrary to popular belief, efforts to aid the poor do not dominate the federal budget. Only about 11 percent of the federal budget is devoted to programs that primarily serve low income persons. This is a substantial investment, but certainly not one that is disproportionate to our national resources or our

Experimentation and innovation can and should occur at the federal, state and local levels, but such experimentation should not be a substitute for immediate and appropriate actions at the federal level to improve opportunities and relieve the pain experienced by tens of millions of Americans who live in poverty or near poverty status. We do know enough about the problem of poverty to proceed now with careful and humane federal program improvements.

We at FRAC are deeply concerned about the future direction of welfare reform. We hear this concern from our network of hundreds of state and local groups and individuals who work to alleviate hunger: government officials, community activists, religious groups, and emergency food providers. Our network and national studies tell us there unquestionably has been a major growth in poverty-related hunger attributable in large part to the performance of the economy and across-the-board cutbacks in federal assistance programs.

While much recent attention properly has been paid to large reductions in federal food assistance programs, other factors have also served to diminish the resources that needy families have available for food. These factors include AFDC cutbacks, the failure of states to raise AFDC levels, increased recipient costs for public housing, reduced Medicaid services and increased Medicaid co-payments, and reductions in the Low Income Home Energy Assistance Program.

Thus, in the context of welfare reform, there are several concrete steps that we particularly urge this subcommittee to undertake as measures that would have a substantial beneficial impact in reducing domestic hunger:

1) We urge the extension of the AFDC-UP program to all states, with changes that ease the current restrictions on its availability to two-parent families.
2) We urge that minimum federal benefit standards be established for combined AFDC and food stamp benefits. Such minimum standards should approximate the federal poverty line, to be phased in if necessary.
3) The current financial disincentive for states to increase AFDC benefits should be removed. Right now, a $1 increase in AFDC benefits results in a 30 cent loss in food stamps. Since food stamp benefits are 100 percent federal money, there is a natural hesitancy for states to raise AFDC levels. An adjustment in AFDC funding formulas could counteract this problem.

There are several other areas of coordination between federal food assistance programs and programs in the Subcommittee's jurisdiction -- such as categorical eligibility of AFDC recipients for food stamps, coordination of AFDC and food stamp definitions, and the ability to apply for food stamps at Social Security Offices -- that concern us at FRAC. We stand ready to assist the Subcommittee on these issues.

Thank you for the opportunity to testify today. I hope you will find this testimony and any future aid we may offer helpful in enacting sensitive and humane reforms in our welfare system. Above all, I would urge you to assume that the vast majority of Americans are ready and willing to take steps to better their lives if only there are opportunities to do so.

December 22, 1986

Welfare Reform
Statement of Principles

Increasing poverty and disadvantage in our affluent society is cause for national concern. The fact that one of every seven Americans lives below the official poverty threshold is unacceptable, especially when 40% of these persons are children. In recent years, we have witnessed a widening gap between the advantaged and the disadvantaged in this country and a widening chasm between the futures facing their two sets of children.

Alleviating poverty historically has been, and continues to be, a primary responsibility of the federal government. Poverty, in large part, stems from national and international policies and macroeconomic trends. Without federal help, regions that suffer economic decline are often unable to muster the resources necessary to ensure that their citizens have the support and services they require. The federal government, through strong civil rights laws, has also been able to assist those in poverty without regard to race, religion, or handicap. For all these reasons, it is important that the federal government 1) improve upon, not retreat from, its previous record of developing programs and, 2) provide resources adequate to address the needs of the poor.

Universal social insurance programs, such as Social Security and unemployment compensation, provide minimum protection against poverty for millions of Americans. Yet millions more are either not served by these programs or receive benefits or support services that fall short of what would bring them out of poverty. This leaves a large role for the residual programs known as the welfare system.

The principles that follow are meant to shape and guide the national debate on the welfare reform issue. They are neither intended to address all of the shortcomings of the current welfare system nor to establish a specific plan to alleviate poverty and its attendant effects for all elements of the American population. Many additional ideas are necessary to build on the concepts presented here and provide a comprehensive solution to the problem of poverty in America. It is hoped that these principles will establish the fundamental direction for future welfare reform efforts, and that any reforms enacted in the coming months will be consistent with these principles.

The principles are:

I. PERSONS WHO WORK SHOULD BE REWARDED FOR THEIR EFFORTS. THEY SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED.

II. JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT, AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

III. THE FEDERAL GOVERNMENT SHOULD ASSURE A MINIMUM STANDARD OF LIVING — INCLUDING SUFFICIENT FOOD, CLOTHING, SHELTER AND MEDICAL CARE — TO THOSE IN POVERTY.

IV. ADDITIONAL INVESTMENTS SHOULD BE MADE IN PROGRAMS PROVED SUCCESSFUL IN PREVENTING FUTURE POVERTY AND ITS ILL EFFECTS.

V. WELFARE POLICIES SHOULD AID BOTH ONE-AND TWO-PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

VI. IN ACHIEVING THE OBJECTIVES ABOVE, THE FEDERAL GOVERNMENT SHOULD MAINTAIN A STRONG PRESENCE, SETTING MINIMUM BENEFIT STANDARDS, PROVIDING ADEQUATE RESOURCES FOR EFFECTIVE PROGRAMS, AND SUPPORTING APPROPRIATE AND EFFECTIVE STATE AND LOCAL INITIATIVES.

I. PERSONS WHO WORK SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED.

Despite the difficulties they encounter in the labor market, most welfare recipients want the chance to work to support themselves and their families. While welfare benefits are low — far below the poverty line in most states — the employment opportunities available to most recipients often lead to little economic gain and to marginal employment. Several factors account for this.

Most recipients of public assistance face a complete loss of income assistance, medical benefits and support services (and a partial loss of food stamps), within a few months of taking full-time employment, regardless of the level of wages and benefits attached to the job. Since the recipient may also face high work-related expenses such as child or dependent care, transportation, and payroll taxes, the financial rewards of the job are often low or non-existent. Accepting such work can place the security and health of a breadwinner's family in jeopardy.

A substantial part of the problem is that wages for entry level jobs are too low to support a family. A full-time minimum wage job today provides earnings of less than 65% of the poverty level for a family of four. The minimum wage has been frozen since 1981, losing 25% in purchasing power since that time. In addition, many jobs are becoming less than full time, further reducing the wages and benefits available to support the worker and his/her family.

The recent upward trend in the number of persons without health insurance is also a major part of the problem. More than half of all uninsured adults in 1984 were employed full-time or part-time.

THEREFORE: Working families receiving income insufficient to support themselves and their children should receive tax relief, higher wages and/or wage supplements, and assurances of subsidized child care, continuing medical coverage, and other support services, until economic independence is established. This can be achieved by strengthening the work incentive features — including transitional health care and child care — within major welfare programs, expanding the Earned Income Tax Credit and adjusting it by family size, increasing the minimum wage, or a combination of these and other approaches.

II. JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT, AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

Economic conditions often prevent welfare recipients from finding and retaining employment in many areas of the country. While public assistance recipients want to work, a dearth of available and accessible jobs, continuing discrimination in employment, and a mismatch between skills required by employers and those held by low income people stand in the way. Women, minorities, and persons with disabilites are especially likely to receive lower wages and have fewer employment opportunities available to them.

The poor are not monolithic. They have varying levels of skill, education, self-esteem, and knowledge of the job market, and they face varied barriers to employment. Some have physical or mental disabilities.

In designing employment-related programs for welfare recipients, the varying needs, circumstances, and characteristics of the population must be recognized. Some recipients need help finding a job; others need comprehensive job counseling, self-esteem building, and/or literacy assistance before they will be job ready. Some need skills training, on-the-job training, and comprehensive supportive services in order to prepare for paid employment. Disabled recipients may need special support services in the home or at work in order to be productive employees. In many jurisdictions, more jobs need to be created. For still other recipients, a long-term commitment to basic education, skills training, and supportive services may be required before a job and economic independence are feasible goals.

Programs should be established which recognize and support the dignity of the individual. Low income persons should be afforded maximum opportunity to determine whether and how they will participate in programs designed to enhance their employability and future self-sufficiency. Programs that promote self-determination have proved effective.

THEREFORE: Welfare reform initiatives must begin with an investment in people and an expansion of job opportunities. Programs available to welfare recipients should offer a menu of job counseling, training, education and literacy assistance, job creation, job placement, and supportive services designed to match the needs of the individuals targeted for service. Any subsidized work opportunities offered to recipients should provide pay, benefits, and rights equal to those afforded other employees performing similar work. Subsidized jobs should not result in the displacement of existing workers or in lower wages and benefits for them. States and localities should have flexibility to design programs which relate to the local labor market and characteristics of local recipients, but there should be federal safeguards to ensure adequate services. Programs which expand services available to people through coordination of government programs, private sector investment, and utilization of community organizations should be encouraged.

III. THE FEDERAL GOVERNMENT SHOULD ASSURE A MINIMUM STANDARD OF LIVING, INCLUDING SUFFICIENT FOOD, CLOTHING, SHELTER AND MEDICAL CARE, TO THOSE IN POVERTY.

Children comprise a disproportionate share of America's poor. About 13 million children, or one in five, lived below the poverty line in 1985. This is not only morally indefensible, but it also exacts a high price from society in health care and remedial education costs, as well as increased crime and loss of productivity. Especially among younger children, poverty can result in impairments for which a society must pay over the child's lifetime.

Income assistance levels for children and their families vary widely in the United States and have fallen off sharply in recent years. While some states provide aid twice that of others, most provide basic income maintenance payments at levels far below the poverty line. The substantial disparities in the levels of benefits available throughout the country are not justified by the variation in living standards. Low benefits in many states undoubtedly cause hardship — in terms of hunger and homelessness — in these areas.

The income safety net program for the elderly and disabled, Supplemental Security Income Program (SSI), also provides inadequate assistance. Benefit levels for those living alone approximate three-fourths of the poverty line. Only half the states provide any supplementation, averaging a mere $36 per month. In addition, resource eligibility standards have been eroded due to inflation since the program's inception.

As a result, millions of low-income elders and disabled persons do not qualify for SSI and, therefore, also do not receive health insurance through Medicaid. Their chronic poverty and inability to pursue employment opportunities warrant enhanced public benefits and employment assistance.

THEREFORE: Coupled with strategies to reduce poverty through increased employment, adequate incomes must be provided for those who cannot work, are temporarily out of work, or are enrolled in training or education programs. A minimum standard of income assistance should be established for all children and their families, including those with two parents. Assistance standards for the elderly and disabled should be improved. And health benefits should be available to all with incomes below the poverty line.

IV. ADDITIONAL INVESTMENTS SHOULD BE MADE IN PROGRAMS PROVEN SUCCESSFUL IN PREVENTING FUTURE POVERTY AND ITS ILL EFFECTS.

An effective and appropriate way to reduce future poverty and its costs to society is to invest in preventive programs aimed at children and youth. WIC (the Special Supplemental Food Program for Women, Infants and Children), Head Start, Chapter I, and Job Corps are among the federal programs that have proved effective in improving the health and earning potential of tomorrow's adults. Such programs also reduce the need for later remedial attention, whether it be in the schools, hospitals or criminal justice system. Yet such preventive programs fail to reach large proportions of their target populations.

THEREFORE: Additional investments should be made in preventive programs that provide children and youth with a better chance of escaping poverty. Funding for programs of proven effectiveness, such as WIC, Head Start, Chapter I, Job Corps and others, should be extended to provide access to all eligible children.

V. WELFARE POLICIES SHOULD AID BOTH ONE-AND TWO-PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

Some poor families in America are maintained by mothers alone and others by two parents, one or both of whom are experiencing unemployment, disability, or economic disadvantage. Welfare policies need to be designed to meet the needs of all variations of family life without stigma or preference.

In many states, social policies do not adequately accommodate the dual responsibilities of the single parent. Training and employment policies and programs effectively bar access to single parents by failing to address their needs for child care, transportation, and long-term income support.

In about half the states, most two-parent families cannot receive Aid to Families with Dependent Children, and in the remaining states availability of aid to two-parent unemployed families is greatly limited. Such policies discriminate against two-parent families.

Efforts to enforce support of children by absent parents have increased in recent years, but much more can be done in this area. In 1983, only about 58 percent of women potentially eligible for child support were awarded payments; of these, only half received the full amount due and one-fourth received nothing. Thus, efforts to expand support awards and increase collection of child support payments can be critical elements in alleviating poverty.

THEREFORE: Coverage of two-parent families under Aid to Families with Dependent Children should be required in all states and eligibility restrictions should be eased. Greater responsiveness to the special needs of one-parent families should be emphasized, especially in employment and training programs and child and dependent care services. There should also be more effective implementation of current child support requirements.

VI. IN ACHIEVING THE OBJECTIVES ABOVE, THE FEDERAL GOVERNMENT SHOULD MAINTAIN A STRONG PRESENCE, SETTING MINIMUM BENEFIT STANDARDS, PROVIDING ADEQUATE RESOURCES FOR EFFECTIVE PROGRAMS, AND SUPPORTING APPROPRIATE AND EFFECTIVE STATE AND LOCAL INITIATIVES.

The federal government must retain a central role in caring for America's poor if efforts to increase their self-sufficiency and reduce their reliance on welfare are to be successful. Progress over the past 25 years in alleviating poverty, increasing life expectancy, and reducing infant mortality is directly connected to the strong presence of the federal government through a variety of social programs and policies. Any welfare reform efforts should build on and improve the current system, not diminish it.

Twenty-five years ago, our nation's elderly were three times more likely to be poor than the rest of the population. Today this disparity has been eliminated, although certain subgroups of the elderly — women, minorities and persons over 85 — remain at dire economic risk. The maturation and expansion of benefits in Social Security is largely responsible for this decline in poverty among the aged. In addition, the fact that the SSI program has a federal minimum benefit level which is annually updated for inflation helps ensure that the elderly poor do not fall more deeply into poverty each year. A similar approach for children and their families would significantly reduce the extent of poverty among them.

Levels of assistance to destitute Americans should not vary dramatically due to disparities in local revenue bases or local prejudices about the poor. Oftentimes, national economic forces create high unemployment and increased poverty in particular geographic areas. At a time when these areas face the greatest demand for help, they may be least able to provide it. It is important for the federal government to establish funding mechanisms and benefit standards to assure that all Americans in need receive minimum, adequate benefits. Better coordination of federal programs should occur and changes should be made to increase access and reduce administrative burdens on participants and administrators.

Great care should be taken not to weaken or undermine this federal commitment by consolidating, or "cashing out" programs. It is widely acknowledged that such in-kind assistance as subsidized housing and medical care cannot be purchased on the open market by persons with incomes at or near the poverty line. Furthermore, recent experience has shown that program consolidation, as in the education and job-training block grants, tends to reduce federal financial support for low-income programs that are already underfunded. In all of these areas, such as child care and nutrition, and others of importance to disadvantaged persons, program elimination or consolidation would have an extremely adverse impact on low income individuals and families.

THEREFORE: Reforms are needed that build on and strengthen the current federal/state partnership in funding and administering the welfare system. A strong federal presence is needed to provide minimally adequate benefits and a sufficient revenue source to assure that all needy Americans have access to adequate food, clothing, shelter, health care and employment opportunity. The history of state and local efforts in providing for the poor, including current disparities in performance, require that a strong federal role be maintained in anti-poverty efforts.

STATEMENT OF CYNTHIA MARANO, EXECUTIVE DIRECTOR, WIDER OPPORTUNITIES FOR WOMEN

Ms. MARANO. Mr. Moynihan, I would also like to thank you very much for the opportunity to come before you and talk about our ideas about welfare reform. I really am going to speak to three of the principles that Rob mentioned earlier in his testimony; but I want to say that my presentation is really based most on the experiences of Wider Opportunities for Women, which is a national women's employment organization.

We come before this committee for the first time, because we don't have a history of working on the welfare issue per se. We have always been up testifying before the Senate Labor and Human Resources Committee. We have gotten into the question of welfare reform this year, because we feel compelled to bring the experiences of women's employment and training programs across the country into the discussion of particularly the welfare employment question.

WOW, which is the acronym for Wider Opportunities for Women, has worked within the past year to put together a coalition that is called The National Coalition on Women, Work, and Welfare Reform. Our coalition will be bringing forward a proposal to your subcommittee, speaking to issues of welfare employment programs, to income issues, to the appropriate role of government at different levels, and also to the question of support services. We expect to have that within about 30 days, and we would like to bring it forward to you at that time.

Senator MOYNIHAN. We will look forward to it.

Ms. MARANO. We have spent about a year putting together a publication called "Perspectives on Women in Welfare Employment," which I believe you have a copy of. It specifically looks at what is happening in the states and our perspectives on the good things that are happening that some of the key principal policymakers might want to keep in mind.

Senator MOYNIHAN. We will do that, and it will be made a part of the record.

Ms. MARANO. Thank you very much.

Rather than reiterate the principles which Rob so eloquently mentioned to you, I am going to move right on to my testimony and talk to some of our concerns and principles in general.

Despite the barriers they encounter in the labor market, most welfare recipients want the chance to work to support themselves and their families. I think you have heard certainly a consensus on this issue. Yet, no recipient should be asked to take employment which results in a loss of income or economic security for her/his family. We believe that any initiatives you consider must tackle this difficult problem directly, providing paths out of poverty which will result in a financial benefit to welfare recipients and their families, whatever the composition of those families.

We would contend that the current income and basic benefit systems, as well as the current employment and training systems, by the way, do not provide economic security, and that welfare employment initiatives must be designed to ensure both adequate basic needs and pathways for achieving economic independence and security in the long term. Elimination of recipients from the welfare rolls alone, or even any job, neither of those is an appropriate standard of performance for a welfare employment program.

The preparation and placement of recipients in permanent private and public sector jobs with decent wages and benefits are the appropriate activities for a publicly-funded welfare employment program and are worthy of considerable federal investment—state investment, as well.

Some would recommend that the way to achieve this might be to reduce benefits, as a way of stimulating recipients to enter training or jobs. WOW and the coalition reject this concept as both inhumane and economically short-sighted.

We ask that you design a program which will improve the economic prospects for welfare recipients and their families, and there are several things that you might consider as proper avenues for work.

We agree with many of those who come before you that the guarantee of minimum livable income and benefits for poor families is an appropriate role for the Federal Government and needs to be part of a welfare reform package now.

Improvement of the wages of entry-level jobs through raising the minimum wage. You have also heard a number of us talk to that, and we believe it is a bottom line.

Expanding the Earned Income Tax Credit, especially adjusting for family size.

Provision of adequate funding for supportive services so that recipients can train and find employment.

Real investment in education and training for jobs which can support the recipient and her or his family.

Establishment of AFDC provisions which allow welfare recipients to create jobs by starting businesses.

And transition services which continue welfare benefits into the first year of employment so that recipients will not risk family security in taking jobs.

I would like to move on and talk to you about a couple of the things I think we have learned from our historical employment and training programs, which we would like to contribute to your thoughts in developing the welfare system.

The first is that good job training and good job development are not expensive. Providing quality services targeted for those who need the most is more expensive than providing minimally helpful services to a large number of people who may or may not benefit.

We think all too often in our employment and training systems we have tried to do the latter, and maybe it is one of the reasons we have a hard time showing that it really has mattered.

Senator **Moynihan**. That is a coherent proposition, and it may be so.

Ms. **Marano**. Universal minimally-helpful services have not, however, been demonstrated to have a significant impact on achieving long-term economic independence for welfare recipients. Quality for those public assistance recipients who wish to participate or are ready for education, training, or employment would require a substantial public investment, probably at a total cost more than the average JTPA per participant cost of $3000 to $4000.

Massachusetts' ET Choices Program reports a $3800 cost per participant, in a state with fairly low unemployment, with the participation of 30,000 welfare recipients over a three-year period.

The point I am trying to make here is that, if we wish particularly to work with the long-term recipients that I think many of us would like to target, we have to realize that it is going to be an expensive proposition, and that the more we focus on mandatory requirements and services to huge numbers of people, the less capacity we are going to have to reach the people who need our services most.

Targeting services which are appropriate to individual recipients requires a funded assessment process for those who choose to be served. Under many current programs, recipients are simply assigned to any available training, placement, education, or, worst, workfare slot, bearing little relevance to their skills, educational needs, local labor market realities, or career interests.

In an aside here, I wanted to comment briefly on the concept of the social contract, which I think is very appealing in many ways.

In the employment and training system we have had this kind of social contract, in an informal sense, for many years with participants. These were called—under CETA and in JTPA language—"employability development plans," where a participant and the job trainer made an agreement together about a plan for that person's progress.

Very frequently, what that ended up with was the person to be trained being stuck in some job-training situation that bore absolutely no relevance to the employment market around them, or the training happened and the person did not get employed. We have to be absolutely positive that we don't penalize recipients for the failure of the private sector or for the failure of our not having the appropriate support services to make things happen.

And I get very frightened that, in the process of trying to administer those contracts, if there is any threat of sanctions, we are going to be in a massive paperwork dilemma.

Senator MOYNIHAN. Ms. Marano, I must tell you that I get even more frightened if anybody uses the words "absolutely certain." I wish there were no such thing.

Finally, I want to comment on the whole question of supportive services.

Supportive services like childcare, transportation, literacy help, English as a second language, and emergency assistance are critical in maintaining access to employment and training or education services for many welfare recipients. These services are capped under JTPA at a cost of no more than 15 percent of states' allocations. Many states have only spent 10 percent. But we believe that, in looking at the broad JTPA population, less supportive services may have been needed for some of those clients, dislocated workers and others, who sought services.

In states which have planned or promised services to recipients in a welfare employment program, support services' costs tend to be substantially higher, sometimes reaching 50 percent of the cost of training. In many areas, these services are not available in large enough numbers right now for those who are currently enrolled in training and education programs. Long waiting lists now preclude access. To provide these services for all welfare recipients who volunteer to enter training and employment would require investment in greatly expanded services. Certainly, we think the investment would be worth the cost.

I go on in my testimony to talk about what we think is very important, and that is the whole question of providing support to job development and marketing to employers.

We try to make the point that there is no evidence that employers have been standing in line to hire welfare recipients across the United States, and that, particularly in areas with severe economic problems, we are putting employers in a bind as well, if we don't realize that to force or to have the idea that we are going to place all welfare recipients in jobs might not be an unrealistic goal.

I know that you, Senator, have been particularly interested in the whole area of child support policy, and we too are very interested in that. We believe, also, that we have to have a better system of child support enforcement in the United States, and we think it has got to be one element of a good welfare reform process at the moment.

We also agree that the whole question of providing Aid to Families with Dependent Children to two-parent families is a critical issue, as well.

I would like to just conclude by saying for our coalition, and certainly my organization, WOW, that we urge you to consider what a quality education, employment, training, and family policy will cost. This is the sort of program needed by those welfare recipients ready to prepare now for long-term self-sufficiency. We think that kind of program would be an investment. It would offer states the chance to design programs that match the needs of their population and their economies. To provide less, or to talk about the cost savings first, would be to ignore the lessons of the past. We know that you don't have that kind of program in mind, and we know that the kinds of approaches you are talking about might be worthy of the term "welfare reform."

Senator MOYNIHAN. Well, that is a very nice note on which to end the formal testimony.

[The prepared written testimony of Ms. Marano follows:]

WELFARE REFORM IN THE 100TH CONGRESS: AN OPPORTUNITY TO INVEST IN THE LONG TERM INDEPENDENCE OF WELFARE FAMILIES

STATEMENT OF
CYNTHIA MARANO,
EXECUTIVE DIRECTOR
WIDER OPPORTUNITIES FOR WOMEN

BEFORE
THE SOCIAL SECURITY AND FAMILY POLICY SUBCOMMITTEE
OF THE
SENATE FINANCE COMMITTEE

FEBRUARY, 1987

WELFARE REFORM AND THE 100TH CONGRESS: AN OPPORTUNITY TO INVEST IN THE LONG TERM INDEPENDENCE OF WELFARE FAMILIES

Mr. Moynihan and members of the Social Security and Family Policy Subcommittee, thank you for the opportunity to appear before you today to discuss the statement of principles on welfare reform Rob Fersh has just described to you. As Rob has told you, I am going to discuss three of the principles developed by the coalition related to the employment and training of welfare recipients and the economic stability of their families. I speak first as a member of the Coalition, but also from my experience with Wider Opportunities for Women (WOW), a national nonprofit organization specializing in the employment and training of women. WOW has spent more than 20 years developing and perfecting employment, education, training, and job-related strategies to improve the economic status of women and their families. Since so many welfare recipients across the U.S. are female, we believe that this experience stands us in good stead in recommending both principles and programs for you to consider in welfare reform discussions in the 100th Congress. WOW has initiated a second coalition of organizations -- the National Coalition on Women, Work, and Welfare Reform -- which will be bringing a proposal on welfare reform to members of the Committee in the next several weeks. That coalition, which represents 30 national groups, has also prepared Perspectives on Women and Welfare Employment, a document outlining recommendations to policymakers and advocates on the development of employment initiatives for welfare recipients. Copies have been distributed with my testimony to each member of the Committee.

The principles I will discuss today are:

1) PERSONS WHO WORK SHOULD BE REWARDED FOR THEIR EFFORTS. THEY SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A

FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED. AND,

2) JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT, AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

3) WELFARE POLICIES SHOULD AID BOTH ONE AND TWO PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

Despite the barriers they encounter in the labor market, most welfare recipients want the chance to work to support themselves and their families. This has been documented repeatedly: in studies like that undertaken by the Coalition on Human Needs, by the field hearings held by the President's Task Force, and by experiments in states like Massachusetts and Maine. Yet no recipient should be asked to take employment which results in a loss of income or economic security for her/his family. We believe that any initiatives you consider must tackle this difficult problem directly -- providing paths out of poverty which will result in a financial benefit to welfare recipients and their families -- whatever the composition of those families. We would contend that the current income and basic benefits systems do not provide economic security and that welfare employment initiatives must be designed to ensure both adequate basic needs and pathways for achieving economic independence and security in the long term. Elimination of recipients from the welfare rolls alone is not an appropriate standard of performance for a welfare employment program. The preparation and placement of recipients in permanent private and public sector jobs with decent wages and benefits are appropriate activities for a publicly-funded welfare employment program and are worthy of considerable federal investment. Some would recommend that the way to achieve this might be to reduce benefits as a way of stimulating recipients to enter training or jobs. WOW and the coalition reject this concept as both inhumane and economically short-sighted.

We ask that you design a program which will improve the economic prospects for welfare recipients and their families. There are several avenues you might consider in this regard --

(1) a guarantee of minimum livable benefits for those who cannot work now;

(2) improvement of the wages of entry level jobs through raising the minimum wage;

(3) expanding the Earned Income Tax Credit;

(4) provision of adequate funding for supportive services so that recipients can train or find employment;

(5) real investment in education and training for jobs which can support the recipient and his/her family;

(6) establishment of AFDC provisions which allow welfare recipients to create jobs by starting businesses; and

(7) transition services which continue welfare benefits into the first year of employment so that recipients will not risk family security in taking jobs.

Any new system designed should also provide adequate funding to states to coordinate with current programs and to provide training for employees involved in administering the program. Currently, a barrier to the self-sufficiency of recipients is the host of mixed messages they receive in the complex of programs they must untangle in order to enter training or job assistance programs. Many are told that their benefits will be reduced or eliminated if they enroll for training or education. This is the sort of barrier we must eliminate.

As you design new welfare employment initiatives, other principles must come into play. Since recipients are a very varied population, the menu of services offered must be similarly varied and individualized. The kinds of services offered will also be affected by geographic and economic factors. States will have to have the flexibility to design the appropriate mix of services, with standards of appropriate services defined federally. Some recipients will only need help locating a job and marketing their well-developed skills. Others, who have never worked for pay, have been out of the labor market longer, or whose skills are obsolete, may need job counseling, skills assessment, skills training, educational and literacy assistance, supportive services, job placement help, and other services in order to get economically sustaining work. Still others may not be ready for training or a job. They may face physical disabilities, family crises, dependent care responsibilities, transportation barriers which are unmet by public systems, and other obstacles which mean that job placement or job preparation is not appropriate now or would require a longer term planning process. In some locales, support services are in such scarcity that recipients cannot find the child care, housing, food, nutrition, or health care to concentrate on getting a job or entering training. Recipients cannot be penalized for these conditions. Nor can we overlook them in our enthusiasm for creating self-sufficiency.

What you must consider in designing new welfare employment programs is what we have learned from our past experience in designing education and employment programs. We know, for example, what CETA cost and how it performed. We know the cost of JTPA services and the common critique of how JTPA has "creamed" to serve the most job ready. As a nation, we have several extensive experience with the development of employment training programs for welfare recipients. A quick rundown of what we know lays out your agenda for the future:

** Good job training and good job development are not inexpensive. Providing quality services targetted for those who need them most is more expensive than providing minimally helpful services to a large number of people who may or may not benefit. Universal, minimally helpful services have not, however, been demonstrated to have a significant impact in achieving long term economic independence among welfare recipients. Quality services for those public assistance recipients who wish to participate or are ready for education, training, or employment will require a substantial public investment -- probably at a total cost more than the average JTPA per participant cost of $3000-$4000. Massachusetts' ET Choices Program reports a $3,800 cost per participant in a state with fairly low unemployment, with the participation of 30,000 welfare recipients over a three year period.

** Targetting services which are appropriate to individual recipients requires a funded assessment process for those who are to be served. Under many current programs, recipients are simply assigned to available training, placement, or education slots bearing little relevance to their skills, educational needs, local labor market realities, or career interests. Individualized assessment would avoid this waste of resources. But assessment also adds to the cost of services and must be considered part of the program offerred. To develop a program without it is to court disaster. An experience encountered in Fresno, California demonstrates why. Fresno planners for the GAIN program estimated that program participants would move swiftly through job search, short term training, and into a job. In the initial skills testing program offerred at program start-up, more than 60% of eligible participants had reading and math skills below the 8th grade level. The program had to be redesigned and program standards readjusted. But funding based on earlier assumptions had already been dispersed.

** Supportive services like child care, transportation, literacy help, English as a second language, and emergency assistance are critical in maintaining access to employment and training or education services for many welfare recipients. These services are capped under JTPA at a cost of no more than 15% of states' allocations. Many states have spent only 10% on these services, but this is for a population which includes other target populations for which support services may be less needed. In states which have planned or promised these services to recipients enrolled in welfare employment programs, costs are substantially higher, sometimes reaching 50% of the cost of training. In many areas, these services are not available in large enough numbers for those currently enrolled in training and education programs. Long waiting lists now preclude access to available training. To provide these services for all welfare recipients who volunteer to enter training or employment programs would require investment in greatly expanded services. Certainly, the investment would be worth the cost.

Finally, job development and job creation efforts must be built into any new federal welfare employment initiative. As has been learned in Massachusetts, where unemployment has been low, marketing of welfare employment program graduates to the state's employers has been a critical aspect of the program. With higher unemployment, these services are even more necessary. Employers are not standing in line to hire economically disadvantaged clients and/or welfare recipients with little work experience in locales where experienced and highly skilled workers are having difficulty finding jobs. Marketing work with employers, aggressive job development, incentives for employers, and tie-ins with the state and local economic development process are necessary and will pay off. The ET Choices Program has involved 8,000 employers in the hiring of program graduates. But, such marketing and development components also add to the cost of a quality program.

The third principle I wanted to address with you relates to the reality of family life in America. Some poor families in our nation are maintained by mothers alone; others are maintained by two parents, one or both of whom are experiencing unemployment, disability, or economic disadvantage. Welfare policies must be reformed to meet the needs of all variations of family life without stigma or preference.

In many states, social policies do not adequately accommodate the dual responsibilities of the single parent. Training and employment policies and programs effectively bar access to single parents by failing to address their needs for child care, transportation, and long-term income support.

In about half the states, most two-parents families cannot receive Aid to Families with Dependent Children, and in the remaining states availability of aid to two-parent unemployed families is greatly limited. Such policies discriminate against two-parent families.

Efforts to enforce support of children by absent parents have increased in recent years, but much more can be done in this area. In 1983, only about 58 percent of women potentially eligible for child support were awarded payments; of these, only half received the full amount due and one-fourth received nothing.

I know that Senator Moynihan has been particularly interested in this problem and has begun to explore solutions. We would urge that improved child support policy is one important element in a reformed welfare system. But, preparation for good jobs and eventual economic independence is similarly critical.

In summary, the Coalition urges you to consider what a quality education, employment, training and family policy will costs. This is the sort of program needed by those welfare recipients ready to prepare now for long term self-sufficiency. Such a program would be an investment. It would be coupled with other policy actions ensuring adequate miniumum benefits for those not ready for or unable to work, improved entry wages, and strengthened child support enforcement. It would offer states the chance to design programs which match the needs of their population and their economies. To provide less or to talk about cost savings first is to ignore the employment and training lessons of the past and the realities of life of the poor in America. We encourage a more positive investment approach. Evidence shows that such an approach can be successful and can result in economic independence for welfare families. Such an approach now would be worthy of the term "welfare reform."

Senator **Moynihan**. I don't have to get to the floor for a little bit, although some of you may be thinking of having lunch yourselves.

Let me go into a couple of things here. The GAO has prepared a report for Mr. Weiss titled, "Work and Welfare Current AFDC Programs and Implications of Federal Policy." It was reported in the Times this morning, which is all I have seen of it. It is pretty—"glum" wouldn't be the right word, but it is not very positive. You know, we haven't solved that subject.

I was an Assistant Secretary of Labor for President Kennedy and helped put together the Manpower Development Training Act of 1962. We thought we had resolved that issue just 25 years ago. We had a Manpower Report to the President and all of those things, yet not much has been resolved.

Well, maybe we have done some things and not others. I mean, I think probably that is the case. We have had a lot of successes that we just don't see anymore as problems, and they aren't; and yet, other things have come along.

One of our problems is that it is so easy to say, "This is what we ought to do: We ought to have national standards, and ought to have coverage for two-parent families, and we ought to have special concentration on people's special needs, and we ought to have work available," and so forth—but we must start with the proposition—that the whole thought for the 1980's is to do less of any of those things.

And the advocacy groups—and there are none more honorable or able than the ones here at this table—have not been successful, because it has been thought by policy makers that the public doesn't agree with you.

In any event, we have this episode, and I think it is rather striking that there is New Jersey, with the second highest per capita income in the country, and in the last 17 years the true value of their provision for children under Social Security has dropped by 51 percent, cut in half, instead of going up. If in 1970 someone had come along and said, "I've got a plan. I would like to cut the provision for children in half," he or she would have been thought to be an anti-social character, right? But it happened, and it was unnoticed.

Why? Why have we lost support? Or is it coming around?

Mr. **Liederman**. Sometimes I think we are just going straight backwards. I mean, in 1603 the Elizabethan poor laws had a work requirement, and it was a punitive work requirement. The whole purpose of it was that you didn't get public aid unless you could prove that you were absolutely incapable of working. And I wonder, Senator, whether much of what I hear around the country, from many, in terms of the work-requirement aspects of AFDC, is not really an attempt to get people off of the welfare rolls, regardless of what happens to them.

As my colleague Cynthia pointed out, the real intent is to help children and the families, and help the adult members of the families to improve the quality of their life, to get a decent job, to get decent training or better education, or whatever is required to improve the quality of their lives. And the way we are going at it is 180 degrees from that.

Senator **Moynihan**. Well——

Mr. Liederman. There are a few experiments—very few—that we need to look at, although the GAO study doesn't even give those high marks. The ET program in Massachusetts claims it has numbers that are worth looking at, and I think if you listen to my friend Mike Dukakis and others talk about it, they feel they are on to something, in terms of helping people on it.

Senator Moynihan. And he will be the first to say to you, "What I do not understand is why, no matter how many people we move out the door on this end, there is that stream of 23-year-old women with a child coming in the other door." You know, he hasn't completely changed that.

Sir? Mr. Greenstein?

Mr. Greenstein. A few comments, Senator. One is, you know very well that one of the things that has happened since the early Seventies is the poor performance of the economy as a whole. Median family income is still not where it was in 1973. There were some stunning figures in a paper for the JEC that Gotschak and Danzinger did last year that show, if you divided families with children into quintiles, that the income of the poorest fifth had fallen 34 percent since 1973, even after you adjusted for family decline in children of 25 percent.

Senator Moynihan. Right.

Mr. Greenstein. And while welfare is a part of that, clearly it has been going on in the private wage market as well. And I think that is part of our problem; it is much harder to get support for these things at a time when family budgets have been tightened, real wages have been falling, and so forth.

Senator Moynihan. I view the words—and I would be interested to know if you feel it, or sense it—that in this setting, under today's economic conditions, it is much more difficult to find the "social space," if I may use that term, to think about helping the poor.

Mr. Greenstein. I think that is absolutely right. I also think there was a lot of misunderstanding, some of it fomented by those who did want to retrench in these areas, as to the percentage of the budget and of your tax dollar that went to these programs. But I do think if we look at the polls from today compared to the early Eighties, there is more support for these programs now than there was in the late Seventies and early Eighties.

Part of it is low inflation, of course, but I think it is interesting that 1985 was the first year in a long time when real benefits in AFDC actually edged up slightly, rather than going down.

Senator Moynihan. They did. They edged up a little bit.

Mr. Greenstein. A little bit.

The second thought I would have, and I think this is very interesting: There are a few areas—every area hasn't been going backwards in the last few years. It is interesting when you say there is more that has been done clearly, in the work and welfare area, more clearly in child support—a broad consensus in the need for a Child Support Amendment—but also it is very interesting that the Carter Administration proposed the Chap Medicaid Program in the late Seventies and both Houses of the Congress, who were Democratic, couldn't pass it. It passed in 1984. It was expanded in

COBRA in 1986, and it was expanded again in SOBRA later in 1986.

I think what we are seeing is that those approaches that appear to be what you might call "non-welfare"—I mean, they are not strictly AFDC benefits, cover Medicaid for the working poor, and so forth—seem to be picking up more support.

The third comment I would make is on the GAO report that you talked about. I think it is very interesting that what the GAO found was that the overwhelming activity was job-searching in these programs, that only 3 percent got remedial education, 2 percent got voc-ed, and so forth.

What concerns me, and you may be aware of it, there is some new research that is about to be published by the Ford Foundation that finds very strong associations—we have all these questions about plausality, but finds very strong associations—between basic skills deficits on one hand and higher rates of welfare dependency, unemployment, crime, teenage pregnancy, and school dropouts.

Now, one doesn't want to overstate. I mean, a lot of these things may have common causes.

Senator MOYNIHAN. What does the skills deficit refer to? Verbal scores, or what?

Mr. GREENSTEIN. There is a whole series of data here. There are skills deficit as mentioned by the Armed Forces Qualifying Test, and basic literacy and arithmetic skills. And it is interesting—you can look at skills deficits while people are still in school, and then those with lower and higher rates of dropout, which you can go back and find, which they have done. They look at these tests back in the late Seventies and then follow the cohort to see what happened.

And it stands to reason that in the welfare area—Ellwood has noticed the recidivism effect—we have the people who get a measure of self-sufficiency and get off AFDC, get a job, but can't advance, can't hold it, and go back on AFDC.

We probably ought to be considering having more of a basic skills component for some—certainly not all, but for those who need it—in our work and welfare programs. But I think what comes out of the GAO report is that the way they are set up now, the differing kinds of welfare recipients are not distinguished.

Senator MOYNIHAN. That is the one thing we can honestly say we have learned, and that is to disaggregate. The welfare dependent are not just one, homogeneous population.

Mr. GREENSTEIN. Not only disaggregating among the working poor, but disaggregating among the welfare recipients themselves.

Senator MOYNIHAN. Yes. Well, you heard testimony on behalf of the U.S. Conference of Mayors and the National Association of Counties. They said X-percent of our recipients are on AFDC for less than 52 weeks, and Y-percent for two years, and, so forth. We have begun to think this way now.

Mr. GREENSTEIN. If in food stamps, as Mr. Fersh mentioned, the only standard is how many recipients go through the program, or in JPTA with some of the performance-based contracting, where the service to the areas are paid on the number awarded, on the number placed, and you don't have any distinction between those who may need basic skills or something more intensive and those who simply need a quick job search, if those kinds of standards get put in place, then that pushes the system in the wrong direction.

We have to tailor some kinds of standards or incentives to match the disaggregation when we disaggretate the recipients, or we are going to get these same kinds of efforts; and then, we shouldn't be surprised if the impact is small.

Senator MOYNIHAN. I wonder if Mr. Fersh would give us a little note on what exactly you mean by the "moving people through the food stamp system" in terms of volume.

Mr. FERSH. Mr. Chairman, in 1985, the Farm Bill reauthorized the food stamp program. I had the pleasure of serving on the staff of the House Agriculture Committee at the time. What was designed at that point was hopefully an employment and training program for food stamp recipients that would leave great flexibility to the states as to who they would serve, and also allow them to concentrate services on smaller numbers of recipients if they wished to.

This fall, and I think again on December 31, the Department of Agriculture issued final regulations to implement those programs, and they established standards for state performance that, by necessity, will involve—with very limited resources provided—$50 million the first year or $60 million the first year—moving millions of people through an employment and training program. And the design the department is pushing is very much a superficial job-search, job-context, "thank you very much, we'll look through the mill, and maybe you will fall by the wayside, or maybe we can cut food stamp participation." That is the essential thrust of what has come out of it.

Senator MOYNIHAN. Let us know.

Ms. Marano, you had your hand up.

Ms. MARANO. I just wanted to add to the discussion a little bit to say, if you look at programs like JTPC and CETA, you see that, depending upon the particular kind of service offered and delivered, you have a whole different wage outcome and long-term placement.

If we think we are going to do something in a welfare employment program where we do some kind of short-term fixes, we are going to have those very short numbers.

I think one of the things that is hard about looking at a work requirement and mandatory program is that, by nature, we are setting up that kind of standard from the beginning.

Senator MOYNIHAN. I want to thank this group, but it is twenty minutes of two, and I have to be on the floor at two if we are going to have any highways around the country.

I can leave you with a historical note, if you would like. Mr. Greenstein mentioned the Ford Foundation study and the question of basic skills, which are important to qualifications testing. In some significant way, the federal involvement with these issues begins in the summer of 1963, when I am sitting in my office in the Labor Department, as Assistant Secretary for Policy Planning. We have done all the policy planning we needed that year, and research; so, I spend a fair amount of time reading the Washington Post.

One morning I got to the point where I was reading two-inch items, and a two-inch item on about July 5th said—that was when the fiscal year began July 1—that General Hershey, who was Director of the Selective Service Administration, had once again submitted his annual report to the Congress, and once again, 51.2 of the persons who had been called up by the Selective Service had been rejected—half for mental inadequacies and half for physical inadequacies, or some such failure to meet Army standards.

And I said, "My God, do you mean half of the people called up for the draft can't get into the Army? That doesn't say much for the population."

So I sent it over to President Kennedy, and suggested maybe this was evidence for some serious problem. The President set up a task force with Mr. McNamara as Chairman and I as Secretary, and we concluded that, yes, about a third of the nation could not qualify for service in the Armed Forces. That was a big chunk of people. You knew there was something wrong. You knew you were on to something, because there were states in the high plains where the failure rate on the mental test was almost exactly the incidence of mental retardation in a large population, maybe 2.3 percent in Nebraska. And you go over to Massachusetts, with maybe 22.4 percent and it was most perplexing. It can't be the air they breathe; it is something about the schools they go to, or something. The variations around the nation were astonishing. Another interesting variation was the emergence of an inverse relationship between failure on the mental test and failure on the health test. And these were all the same tests, same people, Army personnel giving them out.

But it was the first thing President Johnson got, this Order in January 1964.

We still do a very bad job with an awful lot of our people. What has changed is the sense of what we can afford to try. Here is the new economic report of the President, and I will end with this information:

In 1969, the median family income in 1985 dollars for the country was $27,680. In 1985, it was $27,735. That means over the course of 17 years, the median income of American families has risen $55. I think that is the most important single statistic we have. If you know that, you know a very great deal. And if you don't know that, a lot of things are puzzling which become clearer in the aftermath.

Isn't that an astonishing thing? If you will accept the idea that a dollar a week isn't much, for 17 years now we have had no real change in median family income. There cannot be another time in American history where that was the case.

Mr. **Greenstein**. If you disaggregate that, to use our favorite term, and you do just families with children, the median family income probably goes down. Of course, the elderly families are pulling it up over that period.

Senator **Moynihan**. There you are. There you are.

Well, I am going to thank this distinguished panel most especially. You couldn't have been more generous. Ms. Harris, you are cheerful, and in your profession you have to be, don't you?

Ms. **Harris**. Yes. Thank you.

Senator **Moynihan**. The hearing will now close. Our next hearing on February 20 will move to the three specific issues. We are going to deal with child support enforcement on February 20. On February 23, work and welfare, and on March 2, short-term versus long-term dependency.

I thank you very much, and I thank our excellent staff.

[Whereupon, at 1:45 p.m., the hearing was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

TESTIMONY OF:

BARBARA B. BLUM

PRESIDENT

FOUNDATION FOR CHILD DEVELOPMENT

submitted to the

SUBCOMMITTEE ON SOCIAL SECURITY
AND INCOME MAINTENANCE PROGRAMS

FINANCE COMMITTEE

U.S. SENATE

for Hearings conducted

January 23, 1987

For the first time in many years, this nation has the opportunity to undertake genuine reform of the welfare system. The challenge is undoubtedly a difficult one. Concerned senators have only to reflect on the past quarter of a century to observe how many times welfare reformers, full of resolution and enthusiasm, have gone down to defeat.

Nevertheless, there is no reason to conclude that previous failures offer the only possible blueprint for the future. When state welfare departments assumed many of the key responsibilities of the federal WIN program in the early 1980s, it was generally believed that they were doomed to repeat the lackluster performance record that had characterized national WIN. This did not occur. With a stronger sense of resolution than in the national WIN program, many state initiatives have managed to infuse work requirements for welfare recipients with greater substance and meaning. There are good grounds to believe that the nation is ready to open a similarly new chapter on more comprehensive welfare reform.

Most significantly, compared to the state of knowledge 20 and even 10 years ago, policymakers today have considerably more access to sophisticated and clear information on the nature and consequences of poverty and on the characteristics of the welfare population. This information shifts past assumptions in two different directions but both could eventually converge on reform.

First, contravening earlier beliefs, we now know that only a minority of the poor are trapped in long-term welfare dependency and that most of the disadvantaged share society's strong work ethic. These facts, in turn, suggest that the problems of the welfare system are less overwhelming than had formerly been believed. Second, we have recently been presented with a compelling body of data on the plight of children in poverty, suggesting that the current system has failed large numbers of our young.

In short, the new information implies both more hope and more urgency. If these sentiments can be harnessed effectively, they could create a powerful incentive for change.

The danger, however, is that the Congress will merely tinker with the system. It must be recognized that thus far this approach has solved few problems and that in fact it has badly obscured the original mission of the AFDC program.

In all probability, very few citizens would identify AFDC's purpose as the provision of income to poor children. But while this purpose has too often been overlooked, its importance can hardly be over-emphasized. While society is responsible for the care of all dependent citizens, the way in which it supports the needs and prospects of the next generation must be, as Senator Moynihan has so eloquently reminded us, a keystone of national social welfare policy.

Yet in the 1970s and early 1980s the nation has lost sight of children as a special group of concern. When advocates and policymakers draw public attention to poverty data, many citizens are shocked to discover that fully a quarter of the children in this country are born into poverty and that over the past decade, their overall economic circumstances have deteriorated.

Some of the responsibility for this deplorable inattention to the basic needs of children must rest with the way in which the welfare system has been refocused and redefined over the past twenty years. That period has witnessed the inception of the WIN Program and the new state work/welfare initiatives, which focus public attention on the question of how to create work incentives for welfare-dependent adults, and of the AFDC-U Program for two-parent families. Meanwhile, the introduction of Food Stamps and energy programs has added further complexity to the effort to provide income to the poor.

While these initiatives are a vital part of the current system, the fact that they are broadly targeted -- covering the elderly, the disabled and the unemployed as well as children -- has meant that society's attention to poverty questions, never very sustained under the best of circumstances, has been further diverted from poor children as a group whose conditions must be carefully tracked and monitored. With such a multiplicity of programs, many with multiple agendas, it has become that much easier to overlook the fact that the AFDC benefit provided to a child -- or that even AFDC and Food Stamps together -- most often provide support at levels far below the poverty line.

Criticisms of the multiple goals of welfare programs should not be read as a recommendation that we abandon the goal of encouraging adult welfare recipients to become self-supporting. On the contrary, this objective is critical to good welfare reform and thus far, the failure of the system to translate it into public policy has been as serious as its failure to give adequate support to poor children. The reasons for the inadequacy of the welfare system with respect to employment and training are not difficult to identify. Both the state work/welfare programs and their predecessor, national WIN, have been limited by grossly inadequate and unreliable funding.

As a result, while there is a modest level of resources available for low-cost interventions like job search and work experience, funds for large-scale efforts or for the more intensive treatments necessary to help some recipients have been virtually non-existent. Weak support has also undercut official commitment to the notion that poor parents should be urged to work only when the provision of adequate child care is guaranteed. With the need for child care far outstripping demand for every income group in this country, society has failed in its obligation to put in place this most basic prerequisite for work/welfare programs.

I believe that to have integrity, welfare reform must encompass a rededication to two sets of principles -- one involving children, the second adults. For children, welfare programs should be carefully focused on providing them with adequate income for food, clothing and shelter. We must recognize, too, the importance of time spent with parents and the need for decent care while parents work. Also children should be treated at least equitably in the benefits structure created by Congress.

For parents, our welfare programs should create an obligation that they prepare and search for work. In light of the repeatedly demonstrated willingness of many welfare recipients to support themselves, programs should be framed to emphasize incentives to work, although sanctions are obviously required when obligations are not met.

These principles are not new, but almost all have been poorly understood and communicated. Policymakers urgently need to begin to think in terms of a reshaped system that recognizes the support needs of children while still attending to the employment and training needs of their parents. It is a major challenge to translate these goals into workable programs. But there are at least three possibilities that I can suggest. In the summary that follows, each is presented with a brief reference to some potential strengths and weaknesses. My intention is simply to be suggestive, not exhaustive.

1.
- Create a basic child benefit for all families, taxable at some level, probably above the median income.
- Continue the current child support program with more vigorous enforcement procedures.
- Using a program that combines the current WIN, UI and JTPA initiatives, provide all unemployed adults with time-limited allowances to search for work or to train for new jobs.

The advantage of this approach is that it decreases the chances that the poor will be treated as a separate class. _All_ children are covered by one income benefit system; _all_ unemployed adults by one employment and training system. One potential problem with this plan -- but one that apparently has not been borne out by trends in other Western countries that now provide child benefits -- is that a child benefit could encourage more births.

2.
- Create a Family Living Standard, as proposed by the American Public Welfare Association. The Standard would be based on the level of income actually required to feed, shelter and transport a family. Costs would be calculated for each state, but with a nationally uniform methodology. The Standard would be indexed for inflation, updated at a minimum of every five years, and available to all needy families, regardless of their composition. Food Stamps and energy benefits would be cashed out and included in the plan.

- For able-bodied recipients, make the receipt of the full benefit contingent on participation in work, training or education.

The major advantage of this plan is that it replaces the current Standard of Need with a measure that more fairly corresponds to the reality of raising children in the 1980s. A disadvantage is that it would be extremely complicated to develop an acceptable methodology for defining such a measure. Furthermore, there are serious objections to cashing out Food Stamp benefits, a step that some say implies a loss of control over whether children are well nourished.

3. • Adopt a version of the Wisconsin Child Support Assurance Plan. Beginning this year Wisconsin will mandate specific standards for the amount of child support owed, ranging from 17 to 34 percent of a parent's gross income and assets, with the amount of the obligation dependent on the number of children. All counties will be empowered to use a system of immediate income withholding to collect the support. In four counties the state will experiment with the practice of guaranteeing a minimum income support level of $3,000 per child per year to all custodial parents legally entitled to support. These counties will also try a work expense offset -- $1 per hour for one child -- paid to the custodial parent to defray expenses related to employment. The supplement will be reduced as yearly income rises above $8,000 and phased out after it reaches $16,000.

- Provide a time-limited stipend to a parent searching for a job or undergoing education and training whose income falls below a certain minimum standard.

A clear advantage of this plan is that it establishes the obligation of parents to support their children as a meaningful first principle of income maintenance. Like the child benefit proposal which would be available to families of all income levels, it also discourages the segmentation of the poor from other groups.

One drawback of the plan is shared by all three proposals. In none of them -- child support, a child benefit or the Family Living Standard -- is the basic income support mechanism by itself adequate to sustain needy families. All would have to be supplemented either by work or by a stipend paid to parents who take part in employment programs. Thus, none of these suggestions can ultimately eliminate the contradictions between the society's interest in withholding stipends to parents who refuse to meet the obligation to participate in training programs and its interest in ensuring a decent level of support to children.

It may be that so long as society cares about both goals, the conflict is irreconcilable. However, if no one of these approaches solves the problem completely, all at least have the virtue of clarifying the two sets of needs and meeting them in separate programs with separate funding. Such a recasting of the welfare system would lessen the confusion about goals and intentions.

The preceding discussion has pointed to some of the difficulties that are likely to arise if any one of three plans is put into practice. There are undoubtedly others. Nevertheless, all of the plans promise noticeable improvements in a confusing, inequitable and poorly defined system. The scholars and experts who sit on today's welfare reform panels may not know all there is to know about the best way to change the system, but they clearly have offered a sufficient number of sound suggestions to allow Congress to extricate the country from a set of programs that satisfy almost no one and to begin to create a system that is more rational and just.

While the plans just discussed thus seem to offer useful first steps, meaningful welfare reform must at minimum encompass at least two other changes. First, Medicaid must be uncoupled from AFDC and extended to the working poor. It makes no sense to undercut work incentives with a system that withdraws precious health care benefits from parents when they get a job, nor is it fair to deny coverage to citizens whose income falls below the poverty line -- or below the Family Living Standard, if that were to be put in its place.

Second, the federal government must greatly increase funding for subsidized child care and early childhood education programs for low-income families. It is perverse to expect mothers to work if they cannot be certain that their children will be well cared for. At the same time, attention to the need for flexible schedules and part-time commitments in work/welfare programs can ensure that in the rush to get mothers into the workplace, children's needs are not neglected.

This testimony has primarily been focused on questions of equity and justice -- what society owes to the poor children. Its premise is that a wealthy country can afford to lift all of its children out of poverty. It should also be recognized that in light of current demographic trends, even a nation as wealthy as this one can scarcely choose to do otherwise. As the

U.S. enters the twenty-first century, its economic well-being will largely depend on a shrinking number of young people, but more of the young will be from low-income families and living in impoverished communities: circumstances that without societal intervention are a recipe for a poorly prepared workforce. Because the size of the overall youth population is small, Congress can in its welfare reform proposals can take advantage of a remarkable window of opportunity to offer poor children the support that so many of them need to become productive members of society. But that window of opportunity will soon close. The size of the educated workforce in less developed countries is growing rapidly, and the increase may soon outweigh the advantage of a small youth population. There is an historical moment to be seized. If we fail now in good sense or vision, we will discover that it has passed.

PERSPECTIVES ON WOMEN AND WELFARE EMPLOYMENT

A publication of the National Coalition on Women,
Work and Welfare Reform
August, 1986

PERSPECTIVES ON WOMEN AND WELFARE EMPLOYMENT

I. Introduction

The National Coalition on Women, Work, and Welfare Reform was formed in 1985 to address the emergence of new state and federal welfare employment initiatives. The Coalition represents national organizations concerned about the impact of AFDC work programs and their requirements upon women and their families. The list of member groups appears on the cover of this publication. As a group, the Coalition works to achieve state and national welfare policies which promote the economic independence of public assistance recipients while retaining a high degree of choice, flexibility, and respect for personal employment goals.

The Coalition spent its first six months assessing a number of welfare employment initiatives being piloted in the states and reflecting upon the analyses available on these programs. During 1986-87, the Coalition will monitor the development of new state efforts; provide public information to administrators, advocates, the press, and policymakers at the state and national levels on welfare employment initiatives; monitor and analyze Administration welfare proposals; and involve the local affiliates of involved national organizations in policymaking and program monitoring processes on the welfare employment issue.

Purpose of the Paper

This first Coalition publication has been developed to alert local and state advocates to the presence of the Coalition, to share the perspective of the Coalition on the welfare employment issue, and to put forward several initial strategies local advocates or policymakers might use in considering proposed or ongoing welfare employment initiatives. A list of additional resources on the issue are offered at the close of this publication, along with a list of groups and individuals with expertise and interest in welfare employment issues. Many of the Coalition's member organizations have developed and are developing additional resource materials on aspects of the employment of low-income and welfare women.

The Coalition believes it is important for advocates and policymakers at the local, state, and national levels to participate in the welfare employment policy debate. Those who advocate for women, for full employment, and for civil and welfare rights have an important role to play in the development of these policies. It is the role of these groups working together to ensure that poor women retain the options for meaningful and financially rewarding employment, for work at home caring for children, or for full-time education to prepare for economic self-sufficiency. For many low-income women, these options are being limited, restricted, or foreclosed by punitive workfare policies. In other locales, the traditional workfare concept has been transformed to mean the development of a full complement of services designed to protect and support a recipient's options and invest in her preparation for economic independence. In a climate of intense policy activity -- varying greatly from state to state with regard to quality, comprehensiveness, and cost -- communication, clarity, and committed effort will be necessary to ensure effective services for welfare women.

This paper is designed to put forward our perspective and to serve as a point of contact with others interested in affecting welfare-to-work policy. We welcome the comments, critical and and supportive, of colleague groups and individuals working in this field.

II. WHAT WE KNOW ABOUT WORK AND WELFARE

1) Families turn to AFDC for many reasons.

The majority of families begin receiving AFDC because of a change in family structure--divorce, separation, desertion of a parent, death of a parent, or birth of a child. Others turn to AFDC for support because they lose or cannot find a job, suffer a loss of earnings, or become incapacitated.

While two-thirds of all AFDC recipients are children, nearly 90 percent of all AFDC families are maintained by women alone. Child care responsibilities preclude many adults on AFDC from seeking or maintaining employment. More than 60 percent of all AFDC families include children younger than age six; almost 40 percent have children younger than age three.

2) Most adults on AFDC want to work.

Despite the difficulties they encounter in the labor market, most AFDC recipients want the chance to get a decent job which allows them to support their families. Half of all adults on AFDC move off the welfare rolls within two years, many finding their way back into the labor force on their own. Others face multiple barriers to employment, including lack of job skills and recent work experience, poor basic skills, functional illiteracy, sex and race discrimination, lack of transportation, and inadequate support services. Few are encouraged to seek a wide range of career choices or to consider nontraditional employment.

Unfortunately, the structure of AFDC frequently discourages work effort. Recipients who find paid employment are only slightly better off financially than those who rely solely upon AFDC. They also run the risk of losing health insurance under Medicaid if their earnings make them ineligible for AFDC benefits. Bureaucratic barriers such as requirements to report in person to the welfare office on a regular basis also make it difficult to hold a job without losing AFDC eligibility.

Broader economic conditions also prevent AFDC recipients from finding and retaining employment in many areas. The nation's unemployment rate has not dropped below 6.5 percent for more than six years, and 8.5 million Americans cannot find work today. In some parts of the country, the official unemployment rate still exceeds 10 percent. Among female family heads, the unemployment rate was 11.5 percent in 1985.

3) Mandatory participation in work programs is counterproductive.

Given the diversity of problems and barriers to employment which AFDC recipients face, an inflexible requirement that all recipients participate in work-related activities makes little sense. Large numbers will choose to take part in voluntary programs. This choice to participate enhances the self-esteem of recipients while also strengthening their awareness that they are responsible for the decisions which lead to self-sufficiency.

A uniform mandate imposed on all AFDC adults also ignores the great variation in their needs, life circumstances, and communities. For some recipients, the most appropriate choice is to care for a sick or disabled dependent or a very young child rather than to participate in a work program. Efforts to promote self-sufficiency must reflect this need for flexibility and choice.

4) Some recipients need substantial help to become self-sufficient.

Deficits in education, training, and work experience pose major barriers to employment for many AFDC recipients. Fewer than 40 percent of all adults on AFDC are high school graduates. Among AFDC recipients required to register for the Work Incentive (WIN) program in 1983, roughly 60 percent had math skills below the eighth or ninth grade level and nearly half had reading skills below that level. At least one in four adults on AFDC has no prior work experience.

Such barriers can only be removed through substantial investments to enhance the academic and job skills of adults on AFDC. Required work assignments, or work relief, do not yield lasting gains in future employment and earnings for most AFDC recipients.

5) No work program can succeed without jobs at the end.

Training programs for AFDC recipients are of little value if poor employment conditions keep them from finding work. A state which focuses only on employment preparation, without also addressing the need for job creation and economic development, runs the risk of squandering its investment.

The quality of job placements also is a key factor in efforts to promote economic self-sufficiency. Employment opportunities which cannot support families--including jobs at the minimum wage, those in seasonal industries and those without health insurance--may move families off AFDC temporarily, but provide few prospects for long-term stability and self-support. Preparation for high wage and nontraditional jobs for recipients should be a priority.

6) AFDC recipients cannot be asked to neglect their families.

AFDC parents need to be assured of adequate child care and other supportive services in order to participate in welfare-to-work programs. They also need transitional health and child care assistance so that they are not in the position of risking the well-being of their children when they accept employment and move off the welfare rolls.

7) Genuine welfare reform is long overdue.

The AFDC program was created in 1935 primarily as a means of meeting the income needs of widows with young children. While the structure of the AFDC program has changed little over the past fifty years, the nature of the AFDC population has changed dramatically. The time has come to consider genuine welfare reforms--and particularly changes in AFDC -- which reflect the needs of today's poverty population.

There will always be a need for a basic cash assistance program which assists those who cannot, for whatever reasons, support themselves. More effective welfare employment programs by themselves can neither eliminate the need for a strong system of income supports nor substitute for genuine welfare reforms. At best, welfare employment programs represent one important means of addressing the poverty problem in the United States, increasing prospects for employment and eventual self-sufficiency for a substantial segment of the AFDC population but falling short of a complete response to their diverse needs.

III. **Putting Together a Meaningful Welfare Employment Program**

The Coalition on Women, Work, and Welfare Reform has observed the wide range of welfare employment initiatives being designed in the states. To assist those considering or responding to such programs, the Coalition has developed a guide for advocates to use in assessing elements put forward in such proposals. It is the perspective of the Coalition that provision of a wide range of program elements and the choice among these elements by welfare recipients is a keystone for an effective welfare employment program.

The Coalition recommends that state policymakers and administrators work to design a program offering as many of the elements which follow as are possible. If it is not fiscally possible to provide the wide range of services, it seems appropriate to the Coalition to offer a broader sector of employability services to a smaller population of recipients while maintaining basic income supports, medical assistance, food stamps, and other basic services for all the eligible population. This kind of effort should provide a proving ground for the employment and training components and provide the time for building political support for a larger scale effort.

The Framework

Oversight Design and Coordination, Communication: An effective self-sufficiency strategy requires that income maintenance, supportive services, training, placement, education, and economic development components be developed, coordinated, and made accessible to applicants and clients. This requires state-level agreement on the need for a comprehensive self-sufficiency strategy and education for the public on the wisdom and promise of such an approach. Some form of cabinet council, set of interagency contracts, special legislative or executive oversight committee is helpful, if traditional agency and program boundaries are to be bridged. Advisory bodies which include advocates and recipient groups are also vital links for making the program work. The framework for the program should be designed in anticipation of the need to add and modify program elements. Training of and communication among caseworkers and program deliverers is vital. Assistance to participants in evaluating the options and assessing the economic and personal consequences of each option will be a critical step in program success.

Intake, Assessment, and Counseling: There should be visible and well advertised intake points in each community which determine eligibility, orient applicants and recipients to the programs open to them, provide individual counseling and assessment, and design, with the client, an individual plan for self-sufficiency. This element can be organized within a public agency or contracted to a community-based organization.

Information, Innovation, and Evaluation: New program elements should be built upon information gained from recipients and the evaluation of previous programs. Evaluations should collect data on direct and indirect outcomes and benefits over the long term.

The Choices

Just as people become poor for different reasons, so they will escape poverty through different routes. For some, the appropriate strategy may be teaching the skills of how to look for a job. For many, it will require access to child care, medical coverage for their children, and other supportive services. For others, it will mean remedial education, skills training or a college degree to make a permanent escape from poverty. Still others may need help only in accessing existing jobs or being given support to create a job for themselves.

In short, it must be understood that what is a road for one welfare recipient may be a roadblock for another. Training may be a dismaying waste of a recipient's time if she already possesses marketable job skills. Just as clearly, immediate placement in a low-wage, no-benefit job may only ensure a rapid return to poverty for a woman for whom only more education will make it possible to compete for a job that is not marginal and can offer a permanent and adequate income for her and her family.

Those seeking to escape poverty are best positioned to make these choices if provided adequate information and real options. They will gain or suffer as a result; their effort and commitment will be required for any path to succeed.

A comprehensive menu of choices should include the following:

A. TRAINING AND EDUCATION

Basic Skills Education: Educational programs should be designed to develop proficiency in reading, writing, mathematics, and introduction to technology. English as a second language may also be needed.

Job Training: Explicit linkages with training programs, such as JTPA and vocational education, can and should be developed so that a reasonable portion of a state's training efforts serve welfare recipients. Training for nontraditional jobs can be encouraged. Additional job training dollars might be added from state coffers to improve recipients' access to skills training.

Post-Secondary Education: Some of the 89% of AFDC recipients who have not attended college, as well as many of the 11% who have, are most likely to achieve self-sufficiency by entering post-secondary education. Federal law allows welfare recipients to recieve some types of student aid without reduction of their welfare benefits. Improving knowledge and reality of the option of post-secondary education, alerting recipients to the means to finance it without loss of necessary welfare support, and increasing the efforts of state-supported colleges and universities to serve this clientele are all needs around which action is appropriate. Through such means, Maine doubled its college enrollment of AFDC recipients in one year.

B. PLACEMENT

Job-Finding Skills: This choice entails creating supportive job clubs, training in job search techniques, and help with interviewing skills and resume preparation.

Placement Efforts: Linking participants with employers is both a job development and marketing effort. Both are key elements in an effective welfare to work program.

Grant Diversion: A funding mechanism designed to create jobs for AFDC recipients, grant diversion provides employers with a training/employment bonus in return for hiring recipients for permanent jobs. See Bangster, et al., an MDRC report on grant diversion in the resource bibliography, for further information.

Supported Work: By providing comprehensive support services and acting as an employment agency for welfare recipients, supported work programs with a long history of success for recipients are being operated in several states. For more information on this strategy, see the resources listed in the Bibliography at the close of this publication.

C. SUPPORT SERVICES

Childcare: Self-sufficiency is a family affair; to free the head of household for any option, quality child care must often be available. The $18 million state expenditure for childcare vouchers for welfare recipients has been one key to the success of Massachusetts' ET Choices' program. Assistance in arranging for childcare is also often vital.

Medical Care: In order for employment to be a viable and responsible option for an AFDC mother, it is important to insure that she have medical coverage either through Medicaid or health insurance provided on the job. States are required under federal law to provide four months of additional Medicaid coverage after the loss of eligibility for AFDC due to an increase in a recipient's income. When a recipient loses AFDC eligibility due to the expiration of the earned income disregard, Medicaid eligibility must continue for an additional nine months and, at state option, it may continue for another six months after that. Few, if any, states have adopted this additional six-month option although it could be of enormous assistance in facilitating a recipient's transition into the work force.

Work Expenses: Working often entails added transportation, food and clothing expenditures which can heavily burden the transition to employment for an AFDC recipient. Federal law recognizes the existence of work-related expenses and requires that $75 be deducted from a recipient's income in computing AFDC eligibility. However, since this $75 must also cover taxes (AFDC eligibility is computed on gross income), it does not go very far. Depending on state law, vendor payments and in-kind contributions may be useful avenues to pursue in assisting recipients with work expenses. It is important to clarify, however, that state law would not count such assistance as income used to offset an AFDC grant or deny eligibility. In addition, child care expenses of up to $160 per child may be deducted from earned income on top of the $75 work expense deduction.

Life Skills: This choice entails pre-employment program approaches which build self-esteem, improve assertiveness, build physical fitness and improved nutrition, provide peer support, develop budgeting and financial skills, and explore problem-solving skills.

D. JOB CREATION

Linkage with Economic Development Projects: All government-assisted projects which create jobs should be asked to provide referral to welfare recipients. These efforts should be consistent with ongoing affirmative action regulations.

Self-Employment: For some welfare recipients the only way they will acquire a job is to create one for themselves. Thirty percent of AFDC recipients surveyed recently by the Minnesota State Planning Office said they had considered starting a business to sustain themselves and could name the specific business. In Europe, many thousands of unemployed persons have taken advantage of welfare programs that allow recipients to continue receiving benefits while becoming self-employed.

E. PROTECTION OF RECIPIENT RIGHTS

Finally, a key ingredient in an effective state welfare employment initiative will be the development of regulations and grievance processes which protect a recipient's capacity to move from one element to another without penalty if an option is not satisfactory and to refuse program offerings which do not meet the recipient's needs.

IV. IMPLICATIONS FOR STATE POLICYMAKERS AND ADVOCATES

1) Begin by finding out what your state has to work with.

Virtually every state is already making some efforts to move AFDC recipients into permanent jobs. Before starting any new welfare-to-work initiative, it is important to assess the strengths and weaknesses of current state activities under the Work Incentive (WIN) program, the federal Job Training Partnership Act, Single Parent and Homemaking programs funded through Vocational Education, and other educational or training efforts serving disadvantaged persons.

This assessment of current programs is an essential first step in building more effective state policies. Only after developing a clear picture of the state's current capacity to provide education, training, and support services to AFDC recipients and the outcomes of these efforts is it possible to set reasonable goals and plans for the future.

2) Start small and commit to a long-term effort.

Setting up a comprehensive state system to help AFDC recipients move toward employment and self-sufficiency is a difficult and complex task. States which attempt to do too much too quickly--particularly by trying to move employment and training services to the entire AFDC population --can quickly become overwhelmed and undermine the effectiveness of their efforts. In addition, while income support and other basic services are needed by the full AFDC population, other services will be more individualized and planning will be critical.

An incremental approach often yields better results. By starting with a manageable program and building on success, states can avoid stretching resources too thin and still achieve lasting gains for many AFDC recipients.

3) Emphasize voluntary participation.

Given the complexities of welfare-to-work programs, it makes sense to work with AFDC recipients who want to work and are eager to participate.

A focus on voluntary participation builds broad public support for the program. It also strengthens the dignity, self-esteem and decisionmaking responsibility necessary for AFDC recipients to make the transition from welfare to work.

4) Concentrate on more intensive investments.

In welfare-to-work programs, as in many areas, you get what you pay for. Research shows that low-cost interventions such as job search assistance may prove useful in moving the most employable participants into jobs more quickly, but do not result in more significant or lasting gains for the hard-to-employ.

The most substantial and lasting increases in employment and earnings are achieved when programs make intensive investments in education, training and employment preparation for the most disadvantaged of AFDC recipients. Rather than providing a quick "band-aid" solution, this approach changes lives and can lead to long-term self-sufficiency.

5) Keep the focus on lasting gains in employability.

States which promise quick results or large savings in AFDC costs set themselves up for failure. Demonstration projects in several states have clearly shown that welfare-to-work programs at best result in modest reductions in welfare expenditures and in the short term may actually cost more than they save.

To measure the effectiveness of welfare-to-work initiatives states must look beyond welfare savings to examine how well programs are enhancing the employability of AFDC recipients. Strong monitoring and data collection to document the impact of state programs is essential in order to maintain public support and to improve program effectiveness.

6) Devote a portion of available resources to job creation and other "welfare prevention" strategies.

By focusing only on welfare-to-work efforts, states run the risk of setting up a perverse system which only helps struggling individuals and families after they turn to AFDC for assistance.

At least a portion of a state's resources should be set aside for investments in prevention--programs and policies which stimulate job creation and preparation for well-paid work--so that families have a better chance for independence without reliance upon welfare systems. Remedial education, literacy, and job training programs targeted to low-income teenagers and adults are important components of any prevention strategy.

7) Learn from the experience of other states.

During the past few years, a number of states have launched ambitious experiments designed to help AFDC recipients move into permanent employment at wages which allow them to support their families. The many lessons derived from these efforts now constitute a valuable resource for any state seeking to improve its own programs in this important area.

8) Address the "isms" in society, which affect AFDC recipients.

The sexism, racism and other forms of discrimination which affect the employment of minority and other groups in our society also affect the employment of AFDC recipients. For welfare employment programs to be successful in placing AFDC recipients in meaningful jobs, the enforcement of equal employment opportunity statutes in the state and the awareness among both recipients and caseworkers of EEO systems, procedures, and recipient rights are critical. State administrators and policymakers can play a vital role in seeing that the link is made and that enforcement occurs.

Summary

The National Coalition on Women, Work, and Welfare Reform provides this publication and the resource bibliography which follows to encourage more active participation in the development of welfare employment programs at all levels.

The Coalition can provide resource persons, speakers, or other assistance to colleague groups at the local, state, or national level interested in affecting or monitoring welfare employment policy.

V. REFERENCES

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B. STATE PROGRAMS

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(Describes how E.T. operates and documents the program's progress. To receive a copy, contact the Massachusetts Department of Public Welfare, 180 Tremont Street, Boston, MA 02111; (617) 727-0837.)

The Manpower Demonstration Research Corporation, **Analyses of West Virginia, Maryland, Maine, Virginia, Arizona, Arkansas, San Diego, California and Cook County, Illinois** welfare employment demonstration programs. Available through MDRC, 3 Park Avenue, New York, NY 10016. (212) 532-3200.)

Maryland Department of Human Resources, Office of Welfare Employment Policy, **Employment Initiatives: Third year Report**, December, 1985.

(Describes the program participants and findings from the first three years of the Maryland welfare employment program. For a copy, contact the Office of Welfare Employment, DHR, 1100 North Eutaw Street, Baltimore, Maryland 21201.)

C. AID TO FAMILIES WITH DEPENDENT CHILDREN

Committee on Ways and Means, U.S. House of Representatives, **"Background Material and Data on Programs Under the Jurisdiction of the Committee on Ways and Means."** U.S. Government Printing Office 1986 Edition.

(The "Green Book" provides extensive statistical information on AFDC caseloads and benefit levels, including state by state data. It does a good job of explaining the recent changes in work and training provisions, including WIN. The Ways and Means Committee, 1102 Longworth Building, Washington, DC 20515; (202) 225-3625, will usually provide copies. Books are also available through the U.S. Government Printing Office, Superintendent of Documents, Washington, DC 20402; (202) 783-3283.)

Leyser, Barbara, Adele Blong and Judith Riggs, **"Beyond The Myths: The Families Helped by the AFDC Program."** Center on Social Welfare Policy and Law. Second edition, 1985

(This booklet refutes common misperceptions about AFDC recipients, including the numbers who work and the obstacles they face. Copies may be requested from the Center on Social Welfare Policy and Law, 95 Madison Avenue, New York, NY 10016.)

Congressional Research Service and Congressional Budget Office, **"Children in Poverty."** U.S. Government Printing Office.)

(Prepared for the House Ways and Means Committee by CRS and CBO, this report includes a wealth of data and analysis concerning the economic well being of AFDC families, including discussion of welfare-to-work. To obtain a copy, contact the Ways and Means Committee or the U.S. Government Printing Office.)

Bane, Mary Jo and David Ellwood, **"The Impact of AFDC on Family Structure and Living Arrangements."** Report to the U.S. Department of Health and Human Services, Harvard University, 1984.

(Bane and Ellwood refute the argument that generous AFDC benefits encourage welfare dependency. They found that the level of AFDC benefits has little if any effect on a mother's decision to seek AFDC assistance for her family; there are not significantly greater AFDC caseloads in states with more generous benefits.)

Bane, Mary Jo and David Ellwood, **"The Dynamics of Dependence: The Routes to Self-Sufficiency."** Urban Systems Research and Engineering, Cambridge, MA, 1983.

(This report analizes data from a 10 year longitudinal study to determine a) the factors that contribute to a family's coming onto the AFDC rolls, b) the length of time families remain on the rolls, and c) the reasons families cease receiving AFDC. The reported findings include data showing that half of all recipients remained on the AFDC rolls for less than two years and that, while only 12 percent of families turned to AFDC because of a drop in their earnings, 39 percent of the families that stopped receiving AFDC did so because of an increase in earnings.)

D. ANALYSIS BY ADVOCATES

American Friends Service Committee, **E.T.: A Model For The Nation? An Evaluation of the Massachusetts Employment and Training Choices Program.** 1986.

(This publication assesses E.T.'s employment opportunities, questioning the extent to which the program enables participants to increase earnings and escape poverty. Copies may be requested from AFSC, 1501 Cherry Street, Philadelphia, PA 19102; (215) 241-7000.)

American Friends Service Committee, **Workfare.** 1983.

(This pamphlet provides a concise critique of workfare, defining what workfare is (in the strict "work relief" sense) and how this experience differs from both salaried employment and vocational training. To obtain a copy, contact AFSC, 1501 Cherry Street, Philadelphia, PA 19102; (215) 241-7000.)

Coalition of California Welfare Rights Organizations, **"Report on the California Workfare Program."** 1985.

(The study raises several objections to GAIN (Greater Avenues to Independence), the AFDC work and training program recently enacted in California. Copies may be requested from CCWRO, 1900 K Street, suite 203, Sacremento, CA 95814; (916) 442-2901.)

Wider Opportunities for Women, **Welfare to Wages? Women in the WIN Program.** 1984.

(Provides an analysis of the impact of the Work Incentive Program on women participants. For a copy, contact WOW, 1325 G Street, NW, Washington, DC 20005, 202-638-3143.)

E. STATE RESOURCES/CONTACTS

Arizona:
Katherine Waite, Asst. Deputy Director
Department of Social Security
P.O. Box 6123
Phoenix, Arizona 85005
602-255-4730

California:
Linda McMahon, Director
Department of Social Services
74 P Street
Sacramento, California 95814
916-445-0313

Illinois:
Greg Coler, Director
Department of Public Aid
316 So. 2nd Street
Springfield, Illinois 62762
217-782-1201

Maine:
Linda Wilcox, Director
Maine Division of Welfare Employment
Department of Human Services
Augusta, Maine 04333
1-800-482-7520

Maryland:
David Siegel, Director
Office of Welfare Employment Policy
Department of Human Resources
1100 North Eutaw Street
Baltimore, Maryland 21201
301-383-2166

Massachusetts:
Charles Adkins, Commissioner
Teri Bergman, Asst. Commissioner for External Affairs
Department of Public Welfare
180 Tremont Street
Boston, Massachusetts 02111
617-574-0206

Minnesota:
Keith Ford, Coordinator
Office of Full Productivity and Opportunity
375 Jackson Street, Suite 475
St. Paul, Minnesota 55101
612-296-2227

West Virginia:
Dr. Sharon Lord, Commissioner
Department of Human Services
1900 Washington Street, East
Charleston, West Virginia 25302
304-348-2400

F. RESOURCE ORGANIZATIONS

American Friends Service Committee
1501 Cherry Street
Philadelphia, Pennsylvania 19102
215-241-7123
Contact: Jane Motz, Economic Rights Program
Area of Expertise: Welfare reform issues, policy analysis, and local program work.

Center on Social Welfare Policy and Law
1029 Vermont Avenue, NW, Suite 850
Washington, DC 20005
202-347-5615
Contact: Barbara Leyser, Social Policy Analyst
Area of Expertise: A national law office specializing in the needs based assistance programs -- Aid to Families with Dependent Children, General Assistance, and Supplemental Security Income. 15 years' experience in analysis and other work on AFDC work requirements and work demonstration programs.

Children's Defense Fund
122 C Street NW, 4th Floor
Washington, DC 20001
202-628-8787
Contact: Cliff Johnson, Director of Youth Employment
Area of Expertise: Research and policy analysis on employment and training programs, including WIN and welfare-to-work initiatives; policy development to promote self-sufficiency among AFDC recipients; teen pregnancy prevention and broader issues affecting poor and minority children and youth.

The Corporation for Enterprise Development
Suite 1401
1725 K Street, NW
Washington, DC 20006
202-293-7963
Contact: Rona Feit, Transfer Payment Investment Director
Robert Friedman, President
Areas of Expertise: Economic and enterprise development and job creation strategies especially in distressed communities and for disadvantaged people; coordination of a six state self-employment investment demonstration; transfer payment investment strategies related to training, education, employment, and self-employment.

Displaced Homemakers Network
1010 Vermont Avenue, Suite 817
Washington, DC 20005
202-628-6767
Contact: Jill Miller, Executive Director
Rubie Coles, Senior Associate

Area of Expertise: Training and technical assistance to local programs serving displaced homemakers. Policy analysis and publications on vocational education, JTPA, health insurance, minority women, retirement equity, and child support enforcement. Administer network of over 700 women's education and employment programs.

Federally Employed Women
1010 Vermont Avenue, NW, Suite 821
Washington, DC 20005
202-638-4404
Contact: Chris de Vries, Legislative Director
Area of Expertise: Policy analysis and publications on pay equity; civil service retirement systems; federal budget initiatives; equal employment opportunity; and affirmative action. Provide training for federally employed women.

National Commission on Working Women
1325 G Street, NW, (LL)
Washington, DC 20005
202-737-5764
Contact: Sandra Porter, Executive Director
Area of Expertise: Advocacy for women in traditional clerical, sales, factory, and service occupations. Publications and analysis on working poor women. Media reports and advocacy.

The National Urban League
Washington Operations
111 14th Street, NW
Sixth Floor
Washington, DC 20005
202-898-1604
Contact: Douglas Glasgow, Vice President
Bob McAlpine, Congressional Liaison
Area of Expertise: Legislation and advocacy on welfare reform. Policy analysis.

National Women's Law Center
1616 P Street, NW, Suite 100
Washington, DC 20036
202-328-5160
Contact: Ellen Vargyas
Area of Expertise: Legal requirements for AFDC grants particulary in the areas of education, child care, and Medicaid extension.

NETWORK: A Catholic Social Justice Lobby
806 Rhode Island Avenue, NE
Washington, DC 20018
202-526-4070
Contact: Nancy Sylvester, I.M.H., National Coordinator
Area of Expertise: Feminization of poverty; the Parental and Medical Leave Act; pay equity; and plant closing legislation.

United Church of Christ, Office for Church in Society
110 Maryland Avenue, NW, Suite 504
Washington, DC 20002
202-543-1517
Contact: Patrick Conover
Area of Expertise: Legislative Advocacy.

Wider Opportunities for Women
1325 G Street, NW (LL)
Washington, DC 20005
202-638-3143
Contact: Wendy Adler, Policy Analyst
Cindy Marano, Executive Director
Area of Expertise: Training provider for local welfare recipients. Advocacy, analysis, and publications on JTPA, welfare employment, Voc Ed, and related issues affecting women. Administer network of programs and advocates on women's employment. Consultation to state agencies.

The Women and Poverty Project
c/o WOW
1325 G Street, NW, (LL)
Washington, DC 20005
202-638-3143
Contact: Diana Pearce, Director
Area of Expertise: The impact of workfare on women in poverty; historical background and context of workfare; social science analysis of program results, including critique of evaluation studies; network of academic and non-academic advocate women knowledgeable about workfare projects in their locales.

Women's Equity Action League
1250 I Street NW, Suite 305
Washington, DC 20005
202-898-1588
Contact: Char Mollison, Executive Director
Pat Reuss, Legislative Direct
Betty Garrett, Dependent Care

Area of Expertise: Specializes in women's economic issues through research, public education, publications litigation, and lobbying. Current issues include: pensions, taxes, social security, insurance, dependent care, civil rights, women in business, and women in the military.

YWCA of the U.S.A., National Board
726 Broadway
New York, New York 10003
212-614-2829 (NY)

624 9th Street, NW
Washington, DC 20001
202-628-3636 (DC)
Contact: Helen Parolla, Coordinator of Public Affairs and Public Policy
Jo Uehara, Washington Representive
Area of Expertise: Employment training issues affecting women. Local programs and advocates for women's employment.

For further information on the National Coalition on Women, Work, and Welfare Reform, contact Wider Opportunities for Women, 1325 G Street N.W., Washington, D.C. 20005. (202-638-3143). Additional copies of this publication can be purchased from WOW for $5.00 pre-paid.

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